

SMALL BUSINESS TRADE COMPETITIVENESS AND INNOVATION ACT

HEARING BEFORE THE COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

FIRST SESSION

ON

H.R. 1854

A BILL TO AMEND THE SMALL BUSINESS ACT, AND FOR OTHER
PURPOSES

WASHINGTON, DC, MARCH 31, 1987

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SMALL BUSINESS TRADE COMPETITIVENESS AND INNOVATION ACT

TUESDAY, MARCH 31, 1987

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 2359-A, Rayburn House Office Building, Washington, DC, Hon. John J. LaFalce (chairman of the committee) presiding.

Present: Chairman LaFalce; Representatives Skelton, Hatcher, Ray, Bilbray, Mfume, Flake, Lancaster, McDade, Ireland, Meyers, and Gallo.

Chairman LAFALCE. The Small Business Committee will come to order.

For the past 2 weeks, this committee has held hearings on competitiveness of the small business sector of our economy. Today, we are holding a hearing on H.R. 1854, a bill introduced yesterday by myself, Representatives McDade, Skelton, and Ireland as original cosponsors. The committee will be considering this bill tomorrow or Thursday, with the intent of reporting it out for inclusion in the House Omnibus Trade bill.

Prior witnesses have identified competitive problems and opportunities facing U.S. small businesses. I believe that this bill will help confront the problems and enhance the opportunities. Throughout this century, U.S. economic power has been largely typified by the great industrial corporations. Small business, on the rare occasions it gets attention at all, has too often been viewed as an anachronistic leftover from simpler economic times.

Yet, through the economic ups and downs of the past decade, it has been the small businessman who has had a strikingly visible impact on the transformation of the American economy. In fact, small business is and always has been a vital part of our economy and an enormously powerful economic force.

The small business share of GNP amounts to \$1.3 trillion. If considered alone, that would rank the United States small business sector among the top four nations on earth. The world economy is now undergoing nothing less than a revolution. As we face the prospect of dramatic changes in the international economic structure, our small business sector is one of this country's hidden productive assets. Small business can spur the economic restructuring necessary to produce desperately needed growth and productivity which ultimately translates into higher living standards. It can also minimize the vulnerability of the major industrial corpora-

tions to disruptions in unstable times and make them even more efficient in healthier periods.

But the small business sector faces serious problems hampering its ability to contribute to the international competitiveness of our economy. Our hearings have given evidence of serious problems in three key areas: Export promotion; technology transfer; and capital formation. Small businesses that wish to export face bewildering bureaucracies and byzantine regulations which they do not have the corporate resources to wade through, and public policy provides them with little assistance in breaking into export markets. Too many of our smaller firms cannot acquire the new technology necessary to develop new production and marketing strategies to meet increased foreign competition in domestic markets. Minimal access to long-term capital hinders investment in new plants and equipment necessary to compete both at home and abroad.

We must remember that small business is an essentially distinct entity with diverse characteristics. The policy initiatives that focus on our larger corporations, however important, often do not deal with many of the legitimate concerns of our small and mid-sized companies.

If we are to have a competitive small business sector, public policy must address its needs as well, and that is why it is critical that the trade bill not neglect the legitimate concerns of our small business community.

The bill we have before us would address some of the major problems facing U.S. small businesses. It substantially strengthens the export promotion program of the Office of International Trade within the SBA, encourages greater emphasis on export promotion and technology transfer within the Small Business Development Center Program, and provides limited additional funding for those purposes, and makes available loan guarantees up to \$1 million as opposed to the \$500,000 limit under existing law for loans for the purchase of plant and equipment to be used in the production of goods and services involved in international trade where such loans are sold off into the secondary markets. Not only would such a program help our small businesses to improve their competitiveness, but it would also serve to improve operation of a secondary market which links small businesses to large institutional investors.

The bill would also lay the groundwork for eventual implementation of an export incentive program within SBA and requires a much needed examination of the impact of out-sourcing and other internationalized production arrangements on the small manufacturing firms in the United States subcontractor tier.

As witnesses, we are pleased to have with us today the Honorable Ike Skelton, Representative from the State of Missouri and chairman of the Small Business Subcommittee on Exports, Tourism, and Special Problems; the Honorable Nancy L. Johnson, Representative from the State of Connecticut, long active in the whole subject of export promotion; Mr. Allen Neece of Neece, Cator and Associates; Mr. James Harvey, executive director of the National Commission of Jobs and Small Business; Nisa Miranda, the director of the Alabama International Trade Center; Clyde Garrett, member of the board of directors of the National Association of Government Guaranteed Lenders; Russell Drew, president of

Viking Instruments Corp., and president-elect of the Institute of Electrical and Electronics Engineers; and James Carras, president of James Carras Associates and member of the faculty of Massachusetts Institute of Technology, Department of Urban Studies and Planning.

With that, before I call upon the ranking minority member for any comments he would have, I want to say that I give a great amount of thanks to every member of the committee, both minority and majority, for the very cooperative approach that they have taken in fashioning a small business title in the trade bill.

I want to thank the Democrats and Republicans outside of the Small Business Committee, too; such as Representative Ridge and Representative Johnson, for their excellent assistance in drafting this bill. The bill truly is a nonpartisan bill. It is a composite of the ideas of scores of Members of the Congress, including the four individuals who authored it as the original sponsors.

[The text of H.R. 1854 follows:]

To amend the Small Business Act, and for other purposes.

MARCH 30, 1987

10 “(b) It is the declared policy of the Congress that the
11 Federal Government, through the Small Business Adminis-

1 tration, should aid or assist small businesses, as defined under
2 this Act, to increase their ability to compete in international
3 markets by—

4 “(1) enhancing their ability to export;

5 “(2) facilitating technology transfers;

6 “(3) increasing their ability to compete effectively
7 and efficiently against imports; and

8 “(4) increasing the access of small businesses to
9 long-term capital for the purchase of new plant and
10 equipment used in the production of goods and services
11 involved in international trade.”.

12 CHANGES IN EXISTING SMALL BUSINESS ADMINISTRATION

13 INTERNATIONAL TRADE OFFICE

14 SEC. 3. Section 22 of the Small Business Act is amend-
15 ed as follows:

16 (a) by redesignating subsection (b) as subsection (c) and
17 inserting the following new subsection (b):

18 “(b) AGENCY COORDINATION.—The Office shall work
19 in close cooperation with relevant Federal agencies, Small
20 Business Development Centers engaged in export promotion
21 efforts, regional and local Administration offices, the small
22 business community, and relevant State and local export pro-
23 motion programs to—

24 “(1) assist in developing a distribution network for
25 existing trade promotion, trade finance, trade adjust-
26 ment, and trade data collection programs through use

1 of the Administration's regional and local offices and
2 the Small Business Development Center network; and

3 "(2) assist in the aggressive marketing of these pro-
4 grams and the dissemination of marketing information,
5 including computerized marketing data, to the small
6 business community.";

7 (b) by adding the following new paragraphs immediately
8 after the redesignated subsection (c) and redesignating the
9 existing paragraphs (1) to (3) as (6) to (8) respectively—

10 "(1) in conjunction with other relevant agencies,
11 regional and local Administration offices, the Small
12 Business Development Center network, and State pro-
13 grams, develop a mechanism for (A) identifying sub-
14 sectors of the small business community with strong
15 export potential; (B) identifying areas of demand in for-
16 eign markets; (C) prescreening foreign buyers for com-
17 mercial and credit purposes; and (D) assisting in in-
18 creasing international marketing by disseminating rele-
19 vant information regarding market leads, linking poten-
20 tial sellers and buyers, and catalyzing the information
21 of joint ventures, where appropriate;

22 "(2) actively assist small businesses in the devel-
23 opment and formation of export trading companies,
24 export management companies and research and devel-
25 opment pools authorized under section 9 of this Act;

1 “(3) work in conjunction with other Federal agen-
2 cies, regional and local offices of the Administration,
3 the Small Business Development Center network, and
4 the private sector to establish a pilot program which
5 must include, but is not limited to, the following:

6 “(A) the identification and publication of existing
7 translation services, including such services available
8 through colleges and universities participating in the
9 Small Business Development Center Program;

10 “(B) the identification by name and language of
11 each multilingual employee of the Administration in
12 each Administration office and collection and publica-
13 tion of a list of such employees within each office;

14 “(C) the establishment of a full-time position for
15 one Administration regional office of a translator fluent
16 in a language to be designated by the Administration
17 who:

18 “(i) will be available to translate any docu-
19 ment submitted by any small business through any
20 Administration office or Small Business Develop-
21 ment Center office;

22 “(ii) will be available to accompany any
23 trade mission to a country whose population
24 speaks the selected language; and

1 “(iii) who shall report within one year of se-
2 lection for this duty to the Administrator and the
3 House and Senate Committees on Small Business
4 regarding the utility and necessity of creating a
5 permanent function of this nature within the Ad-
6 ministration;

7 “(4) work closely with the Department of Com-
8 merce to—

9 “(A) develop a mechanism for collecting,
10 analyzing, and periodically updating relevant data
11 regarding the small business share of United
12 States exports and the nature of State exports (in-
13 cluding the production of Gross State Product fig-
14 ures) and disseminating that data to the small
15 business community;

16 “(B) make recommendations regarding revi-
17 sion of the SIC code to encompass industries cur-
18 rently overlooked and to create SIC codes for
19 export trading companies and export management
20 companies;

21 “(C) improve the utility and accessibility of
22 existing export promotion programs for small busi-
23 nesses;

24 “(D) increase the accessibility of the Export
25 Trading Company facilitating service; and

1 “(E) alleviate obstacles in the export licens-
2 ing system for small high technology companies;

3 “(5) make available to the small business commu-
4 nity information regarding conferences on small busi-
5 ness issues, including international conferences, spon-
6 sored by the public and private sector;”;

7 (c) by adding the following new subsections:

8 “(d) EXPORT FINANCING.—The Office shall develop a
9 program through which export specialists in the regional of-
10 fices of the Administration, regional and local loan officers,
11 and Small Business Development Center personnel can facili-
12 tate the access of small businesses to relevant export financ-
13 ing programs of the Export-Import Bank and to export and
14 pre-export financing programs available from the Administra-
15 tion. To accomplish this goal, the Office shall work in coop-
16 eration with the Export-Import Bank and the small business
17 community, including small business trade associations, to—

18 “(1) aggressively market existing Administration
19 export financing and pre-export financing programs;

20 “(2) identify financing available under various
21 Export-Import Bank programs, and aggressively
22 market those programs to small businesses;

23 “(3) assist in the development of financial inter-
24 mediaries and other multipliers and facilitate the access
25 of those intermediaries to existing financing programs;

1 “(4) create the capability within the Administra-
2 tion’s regional and local offices to prepare and facilitate
3 the processing of Export-Import Bank loan applications
4 on behalf of small businesses;

5 “(5) promote greater participation by private fi-
6 nancial institutions, particularly those institutions al-
7 ready participating in loan programs under this Act, in
8 export finance; and

9 “(6) provide for the participation of appropriate
10 Administration personnel in training programs conduct-
11 ed by the Export-Import Bank.

12 “(e) TRADE ASSISTANCE DIVISION.—The Office shall
13 establish a Trade Assistance Division which shall—

14 “(1) work in cooperation with other Federal agen-
15 cies to assist small businesses in initiating, preparing
16 for, and participating in any proceedings relating to the
17 administration of the United States trade laws;

18 “(2) assist small businesses in collecting appropri-
19 ate data necessary to continue trade remedy proceed-
20 ings; and

21 “(3) work with the Department of Commerce, the
22 Office of the United States Trade Representative, and
23 the International Trade Commission to facilitate access
24 to trade remedy procedures for small businesses.

1 “(f) EXPORT LICENSING.—The Office shall establish a
2 committee to be chaired by the Administrator with represen-
3 tation from other relevant agencies which would—

4 “(1) monitor export control policy and export li-
5 censing procedures on an ongoing basis;

6 “(2) develop mechanisms for providing assistance
7 to small businesses regarding export control policy and
8 export licensing procedures; and

9 “(3) make recommendations for streamlining and
10 expediting the export licensing procedures for smaller
11 firms.

12 “(g) SEMI-ANNUAL REPORTS.—The Office shall report
13 to the House and Senate Committees on Small Business on a
14 semiannual basis as to its progress in implementing the above
15 requirements.”.

16 SPECIFIC REPORTS REQUIRED

17 SEC. 4. The Office of International Trade in coopera-
18 tion, where appropriate, with the Division of Economic Re-
19 search of the Office of Advocacy, and with other Federal
20 agencies shall undertake studies regarding the following
21 issues and shall report to the House and Senate Committees
22 on Small Business within six months after the date of enact-
23 ment of this Act with specific recommendations on:

24 (a) the viability and cost of establishing an annual,
25 competitive small business export incentive program

1 similar to the Small Business Innovation Program and
2 alternative methods of structuring such a program;

3 (b) methods of streamlining and expediting the
4 export licensing procedures for smaller firms, including
5 the viability of allocating a portion of the resources of
6 the Department of Commerce to assisting in the proc-
7 essing of export license applications filed by small
8 firms;

9 (c) methods of streamlining trade remedy proceed-
10 ings to increase access for, and reduce expenses in-
11 curred by, smaller firms;

12 (d) methods of improving the current small busi-
13 ness foreign sales corporation tax incentives and pro-
14 viding small businesses with greater benefits from this
15 initiative;

16 (e) the effects of State tax systems on the interna-
17 tional competitiveness and export potential of smaller
18 firms and recommended policy changes;

19 (f) methods of ensuring greater representation of
20 the perspective of the small business community in
21 GATT negotiations, including the advisability of
22 having a Small Business Advisor within the Office of
23 the United States Trade Representative;

24 (g) the volume and dollar amount of goods and
25 services, identified by type, imported by United States

1 trading partners over the past ten years, with recom-
2 mendations regarding methods of identifying potential
3 export markets for United States small businesses;
4 maintaining and disseminating current foreign market
5 data; and devising a comprehensive export marketing
6 strategy for United States small business goods and
7 services; and

8 (h) a survey of major United States trading part-
9 ners to identify the domestic policies, programs and in-
10 centives, and the private sector initiatives, which exist
11 to encourage the formation and growth of small busi-
12 ness.

13 EXPORT FINANCING PROVIDED BY THE ADMINISTRATION

14 SEC. 5. Section 7(a)(14) of the Small Business Act is
15 amended to read as follows:

16 “(14)(A) The Administration under this subsection
17 may provide extensions and revolving lines of credit for
18 export purposes and for pre-export financing to enable
19 small business concerns, including small business
20 export trading companies and small business export
21 management companies, to develop foreign markets:
22 *Provided, however,* That no such extension or revolv-
23 ing line of credit may be made for a period or periods
24 exceeding three years. A bank or participating lending
25 institution may establish the rate of interest on exten-

1 sions and revolving lines of credit as may be legal and
2 reasonable; and

3 “(B) When considering loan or guarantee applica-
4 tions, the Administration shall give weight to export-
5 related benefits, including opening new markets for
6 United States goods and services abroad and encourag-
7 ing the involvement of small businesses, including agri-
8 cultural concerns, in the export market;”;

9 SMALL BUSINESS DEVELOPMENT CENTERS

10 SEC. 6. (a) Section 20 of the Small Business Act is
11 hereby amended by adding the following at the end of subsec-
12 tion (z) thereof: “There are hereby authorized to be appropri-
13 ated to the Administration for fiscal year 1988, \$5,000,000
14 to carry out the provisions of section 21(a)(6).”;

15 (b) Section 21 of the Small Business Act is amended as
16 follows:

17 (1) by inserting in subsection (a)(1) after the word “en-
18 terprises;” the following: “management and technical assist-
19 ance regarding export promotion and technology transfer;”;

20 (2) by inserting the following new paragraph in subsec-
21 tion (a) and renumbering subsequent paragraphs accordingly:

22 “(2) The Small Business Development Centers shall
23 work in close cooperation with the Administration’s regional
24 and local offices, appropriate Federal, State, and local agen-
25 cies and the small business community to serve as an active
26 information dissemination and service delivery mechanism for

1 existing trade promotion, trade finance, trade adjustment and
2 trade data collection programs of particular utility for small
3 businesses.”;

4 (3) by adding the following new paragraph at the end of
5 subsection (a):

6 “(6) Any applicant which is funded by the Administra-
7 tion as a Small Business Development Center may apply for
8 an additional grant to be used solely to assist (A) with the
9 development and enhancement of exports by small business
10 concerns; and (B) to assist in technology transfer, as provided
11 under subsections (c)(3) (B) through (G). Applicants for such
12 additional grants shall comply with all of the provisions of
13 this section, including providing matching funds, except that
14 funding under this paragraph shall be in addition to the dollar
15 program limitations specified in paragraphs (4) and (5) above:
16 *Provided*, That no recipient of funds under this paragraph
17 shall receive a grant which would exceed its pro rata share of
18 a \$15,000,000 program based upon the populations to be
19 served by the Small Business Development Center as com-
20 pared to the total population of the United States, or
21 \$100,000 whichever is greater.”

22 (4) by striking subparagraph (B) of subsection (c)(3) and
23 by inserting the following in lieu thereof:

1 “(B) assisting in technology transfer, research and
2 development, including applied research, and coupling
3 from existing sources to small businesses, including—

4 “(i) working to increase the access of small
5 businesses to the capabilities of automated flexible
6 manufacturing systems;

7 “(ii) working through existing networks and
8 developing new networks for technology transfer
9 that encourage partnership between the small
10 business and academic communities to help com-
11 mercialize university-based research and develop-
12 ment, and introduce university-based engineers
13 and scientists to their counterparts in small tech-
14 nology-based firms; and

15 “(iii) exploring the viability of developing
16 shared production facilities, under appropriate cir-
17 cumstances;”;

18 (5) by adding the following new subparagraphs to sub-
19 section (c)(3) and redesignating the remaining subparagraphs
20 accordingly:

21 “(C) actively assisting small businesses in export-
22 ing by identifying and developing potential export mar-
23 kets, facilitating export transactions, developing link-
24 ages between United States small business firms and
25 pre-screened foreign buyers, assisting small businesses

1 in obtaining export financing, and facilitating the devel-
2 opment or reorientation of marketing and production
3 strategies. Where appropriate, the Small Business De-
4 velopment Center may work in cooperation with the
5 State to establish a State international trade center for
6 these purposes;

7 "(D) assisting small businesses in developing and
8 implementing marketing and production strategies that
9 will enable them to better compete within the domestic
10 market;

11 "(E) developing a program in conjunction with
12 the Export-Import Bank and local and regional Admin-
13 istration offices that will enable Small Business Devel-
14 opment Centers to serve as a distribution network and
15 service delivery mechanism for Bank financing pro-
16 grams, including assisting in the processing of export
17 loan applications, where appropriate, and otherwise
18 identifying and helping to make available export fi-
19 nancing to small businesses;

20 "(F) working closely with small business firms,
21 universities and other appropriate groups to develop
22 computer software "expert systems" for distribution to
23 small firms that are directed at enhancing the export
24 capabilities of smaller United States firms and facilitat-
25 ing entry into foreign markets;

1 “(G) working closely with the small business com-
2 munity, small business consultants, State agencies, uni-
3 versities and other appropriate groups to make transla-
4 tion services more readily available to small business
5 firms doing business, or attempting to develop business,
6 in foreign markets;”.

7 (6) by adding the following new paragraphs to subsec-
8 tion (c):

9 “(5) In performing the services identified in sub-
10 section (3), the Small Business Development Centers
11 shall work in close cooperation with the Administra-
12 tion’s regional and local offices, the local small busi-
13 ness community, and appropriate State and local
14 agencies.

15 “(6) The Deputy Associate Administrator of the
16 Small Business Development Center Program shall de-
17 velop and implement mechanisms for the sharing of in-
18 formation between Small Business Development Cen-
19 ters or between existing Small Business Development
20 Centers and program applicants.”; and

21 (7) by inserting the following new subsection (d) and
22 redesignating the remaining subsections accordingly:

23 “(d) Where appropriate, the Small Business Develop-
24 ment Centers shall work in conjunction with the relevant
25 State agency to develop a comprehensive plan for enhancing

1 the export potential of small businesses located within the
2 State. This plan may involve the cofunding and staffing of a
3 State Office of International Trade within the State Small
4 Business Development Center, using joint State and Federal
5 funding, and any other appropriate measures directed at im-
6 proving the export performance of small businesses within
7 the State.”.

8

CAPITAL FORMATION

9 SEC. 7. (a) Section 7 of the Small Business Act is
10 amended as follows:

11 (1) by striking the word “and” after clause (i) of
12 subparagraph (B) of paragraph (2) of subsection (a) and
13 by adding at the end of clause (ii) thereof the following
14 new clauses:

15 “(iii) not less than 85 per centum of the
16 financing outstanding at the time of disburse-
17 ment if such financing is an industrial mort-
18 gage loan under paragraph (16) and is less
19 than \$1,176,470; and

20 “(iv) less than 85 per centum of the fi-
21 nancing outstanding at the time of disburse-
22 ment if such financing is an industrial mort-
23 gage loan under paragraph (16) and exceeds
24 \$1,176,470.”; and

25 (2) by amending paragraph (3) of subsection (a) to
26 read as follows:

1 “(3) No loan shall be made under this subsec-
2 tion—

3 “(A) if the total amount outstanding and
4 committed (by participation or otherwise) to the
5 borrower from the business loan and investment
6 fund established by this Act would exceed
7 \$500,000, except as provided in subparagraph
8 (B);

9 “(B) if the total amount outstanding and
10 committed (on a deferred basis) solely for the pur-
11 poses provided in paragraph (16) to the borrower
12 from the business loan and investment fund estab-
13 lished by this Act would exceed \$1,000,000, such
14 amount to be in addition to any financing solely
15 for working capital, supplies, or revolving lines of
16 credit for export purposes up to a maximum of
17 \$500,000 as provided in subparagraph (A) above;
18 and

19 “(C) if effected either directly or in coopera-
20 tion with banks or other lending institutions
21 through agreements to participate on an immedi-
22 ate basis if the amount would exceed \$350,000.”;

23 (3) by adding the following new paragraphs to subsec-
24 tion (a):

1 “(16) The Administration may guarantee industri-
2 al mortgage loans under this paragraph to assist any
3 small business concern, including start-ups, in the fi-
4 nancing of the acquisition, construction, conversion or
5 expansion of plant or equipment to be used in the
6 United States in the production of goods and services
7 involved in international trade: *Provided*, That such
8 loans are secured by a first lien position or first mort-
9 gage on the property financed by such loans: *Provided*
10 *further*, That the lender agrees to sell the loan in the
11 secondary market as authorized in section 5(f) and 5(g)
12 of this Act within one hundred and eighty days of the
13 date of disbursement.

14 “(17) The Administration shall authorize lending
15 institutions in addition to banks to make loans author-
16 ized under this subsection.”;

17 (4) by renumbering the existing paragraph (16) of
18 subsection (a) as paragraph (18); and

19 (b) The Administrator of the Small Business Adminis-
20 tration shall report to the House and Senate Committees on
21 Small Business within six months after the date of enactment
22 of this Act as to the viability of creating cooperative Federal-
23 State guarantee programs, particularly for purposes of export
24 financing, to encourage States to coinsure Federal loans, thus
25 permitting the Federal Government to reduce its exposure.

1 SMALL BUSINESS INNOVATION RESEARCH

2 SEC. 8. The Administrator of the Small Business Ad-
3 ministration shall report to the House and Senate Commit-
4 tees on Small Business within six months after the date of
5 enactment of this Act as to the advisability of amending the
6 Small Business Innovation Research program to:

7 (a) increase each agency's share of research and
8 development expenditures devoted to it by 0.25 per
9 centum per year, until it is 3 per centum of the total
10 extramural research and development funds, and tar-
11 geting a portion of the increment at products with
12 commercialization and/or export potential;

13 (b) make the Small Business Innovation Research
14 Program permanent with a formal congressional review
15 every ten years, beginning in 1993;

16 (c) allocate a modest but appropriate share of each
17 agency's Small Business Innovation Research fund for
18 administrative purposes for effective management,
19 quality maintenance, and the elimination of program
20 delays;

21 (d) determine annually that each agency is clearly
22 in full compliance with the law and that Small Busi-
23 ness Innovation Research Program funding is not being
24 accompanied by parallel reductions in other small busi-
25 ness programs; and

1 (e) create pooled solicitations once or twice a year
2 of subjects submitted by small agencies expending
3 \$20,000,000 to \$100,000,000 in extramural research
4 and development funds, to facilitate their involvement
5 in the Small Business Innovation Research Program.

6 GLOBALIZATION OF PRODUCTION

7 SEC. 9. Within one year after the date of enactment of
8 this Act, the Administrator of the Small Business Adminis-
9 tration shall submit a written report to the House and Senate
10 Committees on Small Business, prepared by the Agency in
11 cooperation with other relevant agencies, that would—

12 (a) analyze the effect of increased outsourcing and
13 other shifts in production arrangements on small firms,
14 particularly manufacturing firms, within the United
15 States subcontractor tier;

16 (b) assess the impact of specific economic policies,
17 including but not limited to procurement, tax and trade
18 policies, in facilitating outsourcing and other interna-
19 tionalized production arrangements; and

20 (c) make recommendations as to changes in gov-
21 ernment policy that would improve the competitive po-
22 sition of small United States subcontractors, including
23 recommendations as to incentives which could be pro-
24 vided to larger corporations to maximize their use of
25 United States subcontractors and assist these subcon-
26 tractors in changing production and marketing strate-

1 gies and in obtaining new business in domestic and for-
2 eign markets.

3 NATIONAL CONFERENCE ON SMALL BUSINESS EXPORTS

4 SEC. 10. (a) The Administration shall conduct a Nation-
5 al Conference on Small Business Exports during 1988 in
6 order to develop recommendations designed to stimulate ex-
7 ports from small companies.

8 (b) For the purpose of ascertaining facts and developing
9 policy recommendations concerning the expansion of United
10 States exports from small companies, the Conference shall
11 bring together individuals who are experts in the fields of
12 international trade and small business development and rep-
13 resentatives of small businesses, associations, the labor com-
14 munity, academic institutions, and Federal, State, and local
15 government.

16 (c) The Conference shall specifically consider the utility
17 of, and make recommendations regarding, a subsequent
18 International Summit on Small Business and Trade that
19 would:

20 (1) help develop a consensus regarding interna-
21 tional and national institutional and policy changes
22 necessary to build an international small business
23 sector capable of long-term growth;

24 (2) help establish linkages between United States
25 small business owners and small business owners in
26 foreign countries;

1

2 (3) enable American small business owners to
3 learn how others organize themselves for exporting;

4 (4) permit others to learn how American small
5 businesses operate in the United States economic envi-
6 ronment;

7 (5) provide small business participants the oppor-
8 tunity to better understand the development of interna-
9 tional trade policy; and

10 (6) foster greater consideration of small business
11 concerns in the GATT.

12 PROMULGATION OF REGULATIONS

13 SEC. 11. Notwithstanding any law, rule or regulation,
14 the Small Business Administration shall promulgate final reg-
15 ulations to carry out the provisions of sections 6 and 7 of this
16 Act within six months of the date of enactment.

17 EFFECTIVE DATE

18 SEC. 12. Sections 6 and 7 of this Act shall become
19 effective October 1, 1987.

Mr. McDADE. Mr. Chairman, just to express on behalf of the members on my side of the aisle the gratitude we feel toward you and toward all of our colleagues in the committee in achieving movement on this bill. It is an area that is so important to all of us. I think that it's a good example of how all committees can work together to try to achieve common good for the country, and I want to also extend my commendations to our colleagues who are here to testify and thank them for all of their outstanding interest in the areas that we're involved in.

Thank you, Mr. Chairman.

Chairman LAFALCE. Do other members of the committee have any statements they would like to make?

Mr. Bilbray?

Mr. BILBRAY. Yes; Mr. Chairman.

I am also a member of the Trade Subcommittee of the Foreign Affairs Committee, and to you, Mr. Chairman, and to Mr. Skelton, I would like to point out that we have worked extensively on that bill and any help that I can give in the markup tomorrow I will. It seems like we have spent thousands of hours—it is probably only 100, but it seems like thousands going over this—our industries are certainly being handicapped by not being able to compete, not because they are not able to compete, but because we are making it so that they cannot compete, and I appreciate this bill. If you need more sponsors, I would be happy to join with you on that bill.

Chairman LAFALCE. Thank you very much.

Mr. Ireland, did you have anything?

Mr. IRELAND. No.

Chairman LAFALCE. Mr. Gallo?

Mr. GALLO. No.

Chairman LAFALCE. Mr. Ray?

Mr. RAY. No.

Chairman LAFALCE. All right. Then, we will have our two Representatives from Congress testify first, then we will go to the other witnesses as one large panel.

First, we will hear from Representatives Skelton and Johnson, and because Representative Skelton is a member of the committee and chairman of the Export Subcommittee, we would call upon Ike first.

TESTIMONY OF HON. IKE SKELTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. SKELTON. Thank you, Mr. Chairman.

I do appreciate this opportunity to testify.

I would like to ask at this point to offer my testimony in toto and ask that it be printed.

Chairman LAFALCE. Without objection, so ordered.

Mr. SKELTON. I will summarize it as we go through.

First, I want to mention that I compliment you, Mr. Chairman, for insisting that we, in this committee, have a portion of the Trade Bill that we have. So many people do not understand the importance of small businesses throughout our country, and there is literally a gold mine.

We found out a few years ago as a result of the work that we did on our particular subcommittee there are between 20,000 and 30,000 potential small business manufacturers that could be exporters. I think this proposal is an opportunity for us to put something together for those people.

Now, because of the accelerated schedule, there is no opportunity to follow the regular order, as you know, and rather than have subcommittee hearings and followed by full committee hearings, we——

Chairman LAFALCE. This is basically your subcommittee's bill, Mr. Skelton, but because of the urgency of time, Mr. Skelton and Mr. Ireland, the full committee had to take it up, but it is really basically——

Mr. SKELTON. We are pleased to do that. What we did, we had two meetings. They were meetings of the subcommittee and we discussed thoughts, ideas, 2 weeks ago. We met again last week, and we glued together our recommendations. I am pleased to say that 90 percent of the five main ideas or thrusts that we had from our subcommittee are embodied in this bill. There are four listed co-authors of H.R. 1854. Both Andy Ireland, who is the ranking member of the subcommittee, and I have endorsed it, and we certainly hope that it will be included as part of the full bill that will be taken up by the House.

Our intent was to suggest proposals for the title that are clearly within the jurisdiction of the committee. That is a problem because the minute we go outside our jurisdiction, we invade other jurisdictions which, needless to say, causes a lot of legislative foot-dragging. Consequently, we did our best to stay within the jurisdictional titles that we had.

We have five categories of recommendations. First, we want to strengthen the International Office of the SBA, and in this bill, we accomplish this goal as much as possible by setting new goals for expanded services and interagency cooperation. Second, we want to help small businesses stand up for their own rights. This subcommittee recommends that a sub-office of the International Office be set up to help small businesses cope with the extraordinary burdens and expense of pursuing their lawful trade remedies.

You will recall the testimony, Mr. Chairman, that we heard, that just for a petition to be filed with ITC a corporation or a business could end up spending a quarter of a million dollars at minimum. As you know, most small businesses cannot begin to afford that. We hope to take care of that and make justice based upon facts rather than justice based upon moneys that are not available.

Third, we want to encourage home-grown export promotion with an emphasis on flexibility, imagination, and team work. We do this by adopting ideas from testimony by four of our most aggressive Small Business Development Centers. They have convinced some of us that the SBDC programs are in the best position to spot and help worthy small businesses.

We have found that they can call on a wide variety of inventive and useful assistance methods, and I think the committee has an excellent package here to give new direction to the SBDC's. I commend the chairman for seeking to authorize sufficient funds at that level.

As we know, the SBDC's, according to the people that run them, are working to capacity and your additional funding authorization will help alleviate that problem.

Fourth, we want to find a way to get small business excited about foreign markets, and our subcommittee recommends that some form of innovative competition, perhaps along the lines of the SBIR's, the Small Business Innovative Research Program, be established to reward export-worthy products and ideas. This is in line with the recommendations from the White House Conference.

You will recall that our friend from Virginia, our colleague, Norm Sisisky, has been working hard in this particular area, and H.R. 1854 includes provisions for the SBA to study and report on a variety of ways to handle such competition or perhaps to refocus the SBIR program to the world market. A lot of work needs to be done in that area, but at least this is a step in the right direction, and I commend the gentleman from Virginia for his interest.

The fifth and last suggestion that we have is to help our businesses speak the language of international trade. We hear this over and over and over again. The other day I was meeting with some people as a member of the Armed Services Committee, representatives from West Germany, about trade and economies between our forces in Europe and one thing that came through loud and clear was we wish more Americans would speak German. I had to agree with them on that.

Well, in this bill, H.R. 1854, we include provisions that require the SBA and the SBDC's to identify and list translation services that may be available to small businesses. The bill also requires SBA to list all employees who are multilingual and to circulate that list within the agency office. The bill also sets up a pilot program, I think this is important, which will provide a translator in a regional office who is fluent in a language which, in the opinion of the Administrator, is important to small businesses desiring to export and making such translators' services available to the SBA or SBDC office that can use the help.

As I mentioned, the full committee bill which we introduced has accepted all these ideas in substantial part and has added more that were identified at the hearings. This bill is basically a good bill and it recognizes the committee's jurisdiction. It sends an unmistakable message that the Federal Government will support small businesses who want to take their products overseas. I commend this bill to this committee.

A final note. As you know, our jurisdiction of this title is rather limited, and our colleague and friend, Andy Ireland from Florida, is working on a floor amendment for the trade bill that will address some of the small businesses in a broader concern because our—his thoughts and purposes often go into other jurisdictions.

So, I hope that we will take a good look at that and his package, in my opinion, is a good reform package and helps address some of the glaring needs in the other agencies that will help small business. I hope that people will take a good look and support it if they can see their way clear to do that.

With that, Mr. Chairman, I appreciate this opportunity. I really commend you for asking for and getting jurisdiction because without this, there would have been a huge hole in the trade bill and



ly; and, finally, improvements in the guaranteed loan program to allow larger amounts for the purchase of new plants and equipment to improve access to long-term capital. These initiatives will go a long way in bringing small business to the forefront of U.S. competitiveness efforts, and I commend the members of this committee for their diligent work.

While this committee was busy working on these initiatives, the House 92 Group formed a special task force on trade which I co-chair along with my colleagues, Representatives Nancy Johnson and Claudine Schneider. The 92 Group is composed of over 30 House Members who are committed to expanding the legislative influence of all Republican Members. After weeks of deliberation in February and March, the 92 Group presented a package of recommendations designed to enhance the current trade debate through the promotion of specific objectives in areas we believe are not adequately addressed in current proposals before the Ways and Means Committee.

One of the objectives endorsed by the 92 Group is H.R. 1737, a bill I introduced to provide small businesses with greater access to trade remedy laws. I found in meeting with small business men and women in my district and individuals who represent them in Washington that current trade remedy laws are designed to protect large American industries, businesses who can readily identify damage and afford to seek remedies from unfair trade practices. Existing trade remedies are not readily accessible to many small businesses due to expense, difficulty in acquiring the necessary documents for petition, and lack of knowledge about available remedies.

The cost of a major trade case would be as much as \$500,000, a sum that exceeds the liquidation value of many small businesses. Despite the fact that small businesses account for 60 percent of U.S. jobs and about half of GNP, the Government has provided little help in assisting members to take advantage of existing resources designed to respond to unfair trade practices. Although trade remedies are available, small businesses that are unfairly injured are closing their doors instead of seeking help.

H.R. 1737 would establish within the SBA a small business trade remedies office to act on behalf of small businesses severely impacted by foreign imports and unfair trading practices. The office would be authorized to assist small businesses by preparing, initiating, and participating in proceedings necessary to pursue appropriate remedies for unfair trade practices.

This legislation also addresses the problem small businesses have in collecting the necessary documentation and proceeding with a petition. In circumstances where there is reason to believe a small business is impacted by unfair competition, the small business trade remedies office would be empowered to collect the appropriate data necessary to continue injury proceedings.

H.R. 1737 is formally supported by the National Tooling and Machining Association, the Committee on Pipe and Tube Imports, an association representing U.S. pipe and tube manufacturers, and Corning Glass Works. The Chamber of Commerce mentioned H.R. 1737 in testimony presented before this committee last week as a promising initiative to a recognized problem of access for small

businesses to trade remedy laws, and, finally, as mentioned earlier, the bill has been endorsed by over 30 Members of the House 92 Group.

Mr. Chairman, I believe this legislation sends a strong signal to the small business community that their contributions to the economy is vital to United States competitiveness. I appreciate the time and attention you and other members of this committee have provided in considering my initiative, and I look forward to working with you on the small business title of the trade bill.

[End of Representative Ridge's statement.]

I think Congressman Ridge expresses very powerfully the concerns of those of us who met on the small business trade issues over many months outside of the structure of this committee and would join me in commending you on the caliber of the proposal that you are considering today, that addresses so many of the things that we are concerned about.

I have been particularly involved in the initiative that my colleague, Mr. Skelton, referred to that came out of the small business conference. Our colleague, Mr. Sisisky, has proposed that initiative in legislative form that I have cosponsored.

Through this initiative, we would provide small business with those up-front dollars that are so essential to their planning, to expand into a foreign market. Representing a district of very small manufacturers and having been present with them as they made this transition from being a totally domestic small business to being an international small business, I am keenly aware of the resources that are needed to do the market evaluations, to translate foreign documents from which they need guidance, to make the contacts and connections that are so essential to success in the international market.

The most successful of my small businesses have been those that have had a large American business, in a sense, to partner them and to provide those first contracts, that first demand, in the Pacific Rim nations. We have to do better than leave our small businesses dependent on a large American manufacturer who, frankly, is going offshore to produce. They should not be leading small business export development in America. Through our own resources, both the Small Business Administration and the resources so clearly advocated by Congressman Ridge and this committee, we need, as well, to provide some of those dollars that are high-risk dollars for small businesses and, in the Sisisky-Johnson proposal the grants would be 50-50 matching grants up to \$25,000 because that small amount of money, combined with better advice from Government, I believe, will get many of our small businesses into the global market and provide that inventiveness, that ingenuity, that excellence that has characterized some of the driving forces behind our market into our export sector to the benefit of all of us.

So, I thank you for your consideration of the export grants in your basic proposal and look forward to working with you in any way that we can be helpful to you as you work in the next few days.

Thank you.

[Mrs. Johnson's prepared statement can be found in the appendix.]





What I would like to do is simply extend congratulations to you, Mr. Chairman, for the bi-partisanship manner in which you have conducted this series of hearings leading up to the drafting and introduction of this bill. You are off to a breathtakingly fast start in this committee, and it is, I must say, a breath of fresh air and those of us who have been laboring in the small business vineyards for a number of years are ecstatic. Congratulations are really in order to you and Mr. McDade for the leadership that you have exhibited in the very short period of time since assuming the helm of the committee.

We are also very grateful and impressed with the broad gauged—

Chairman LAFALCE. With unanimous consent, you will be allowed 10 minutes. [Laughter.]

Mr. NEECE. We are also very pleased with the aggressive broad-gauged approach to a host of small business problems that you have already begun to address in addition to the technology and trade matters that are before the committee today.

I think we also wanted to extend our thanks to Mr. McDade, Mr. Skelton, and Mr. Ireland for their leadership at the subcommittee and full committee level in helping pull this bill together.

I think it is also in order to express our gratitude for some of your key staff members, Don Terry, Jeanne Roslanowick, Tom Powers and Drew Hiatt, for their contributions.

Foreign trade, both from the perspective of the export side and on the import side, as well as technology transfer and coupling, has been a problem that has really confronted the Congress and the small business community for a number of years. We think this bill comprehensively and thoroughly addresses many of the needs and issues that have arisen over the last number of years.

Previous administrations and the current administration, frankly, have only paid lip service to many of these problems, and we are, as I say, ecstatic that you have assumed some leadership in this area and have, frankly, taken the bull by the horns and given us a host of solutions and remedies for some of these problems.

Mr. Chairman, I think simply stated, this is an outstanding bill. I would be hard-pressed to give you any suggestions for any issue areas that have not been included in your six-section bill. I have been specifically asked to address the issue of SBDC's.

You have had a series of SBDC witnesses appear before you prior to today's hearing, and I do not want to reiterate what they had to say, only but to say that the SBDC's are equipped and anxious to do the job as mandated in this bill. Only one word of caution, and that is in the new funding formula, we do not want to create a level of expectation where all SBDC's are going to be in a position in the next 12 to 18 months to put in place an export or foreign trade program simply because many States have a different funding cycle than the Federal Government does. It will take a lead time of 12 to 18 months before many SBDC's will be able to fully respond to the incentives that you have included in this bill.

That is all I have to say, Mr. Chairman. I will be happy to answer questions at the conclusion of the testimony of all the panel members.

[Mr. Neece's prepared statement, with attachment, may be found in the appendix.]

Chairman LAFALCE. Thank you very much, Mr. Neece.

Our next witness will be Mr. James Harvey, executive director of the National Commission on Jobs and Small Business.

**TESTIMONY OF JAMES J. HARVEY, EXECUTIVE DIRECTOR,
NATIONAL COMMISSION ON JOBS AND SMALL BUSINESS**

Mr. HARVEY. Thank you very much, Mr. Chairman.

As you mentioned, I am the executive director of the National Commission on Jobs and Small Business, which provided a report to the 100th Congress on February 4, 1987, "Making America Work Again: Jobs, Small Business, and the International Challenge." We have already distributed this extensively on Capitol Hill and to every member of the committee.

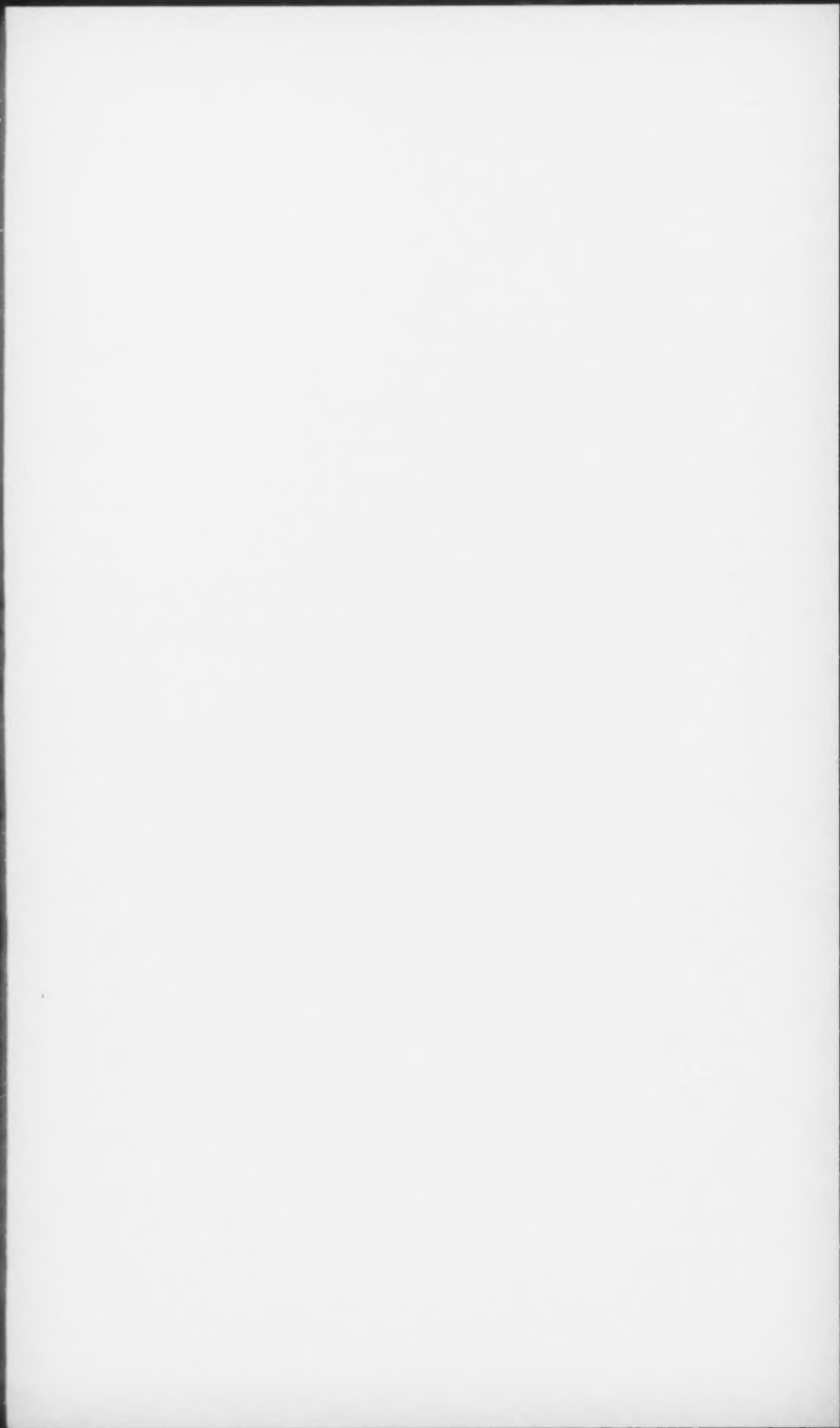
The report documents a generation of decline in America's competitive position. It points to a broad threat to the standard of living in the United States, and it argues that small business is an overlooked asset in the effort to restore America's position in world markets.

I want to join Mr. Neece in applauding the work of this committee, of the chairman and the ranking minority members, of Mr. Skelton and Mr. Ireland, in developing this very comprehensive title to the House Trade bill, which we are here today to discuss.

I believe H.R. 1854, the small business title, which we are discussing today, is directly responsive to many of the concerns cited by the National Commission on Jobs and Small Business in its report. I have not had an opportunity to review the entire title, but I have looked at the summary of the bill. As I understand it, the proposed small business title would considerably expand the mandate of the Office of International Trade in the Small Business Administration, extend the responsibilities of Small Business Development Centers to include export promotion and technology transfer with modest increases in funding for these purposes, and amend the existing 7(a) loan programs to include new guarantees for loans of up to \$1 million for plant and equipment related to producing exportable goods—with a related requirement that such loans be recycled through an expanded secondary market for small business loans. Finally, H.R. 1854 would require several studies from the Small Business Administration, including examining the feasibility of creating a Federal-State guarantee program to permit the Federal Government to reduce its exposure, studies of the effect on small American firms of the increasing tendency of prime contractors to subcontract with firms abroad, and, third, looking into the merits of increasing the amount set aside for small business research and development under the SBIR program.

Mr. Chairman, these seem to me to be sound and, indeed, very prudent responses to the competitiveness crisis in which the United States today finds itself. At the same time, I think these proposals create working models which, as time goes by, if they prove to be effective, we can build upon.





Chairman LAFALCE. On behalf of the committee and the staff, thank you.

Our next witness will be Ms. Nisa Miranda.

**TESTIMONY OF NISA MIRANDA, DIRECTOR, ALABAMA
INTERNATIONAL TRADE CENTER**

Ms. MIRANDA. Thank you.

My name is Nisa Miranda. I am director of the Alabama International Trade Center, which is a Small Business Development Center Program, located at the University of Alabama.

We work directly with companies and have over the last 7 years worked with approximately 2,000 companies. We have a staff of 16 persons, most of whom are full time. We have six graduate students who are foreign nationals as well as Americans. They work directly with companies developing strategies for them to become involved in international business.

As you know, exporting is not a national priority in the United States, but we live in a global market where it should be a priority. American firms have been slow to respond to the challenge of the global market. This is because our planning, our policy and programs at all levels—Federal and State governments, higher education, and private firms—have failed to establish the environment necessary to make exporting a national priority.

Small American firms need assistance to export. They are facing a number of problems not only in dealing with retention of their domestic market share, but also trying to compete internationally. These firms need access to specialized information. They need training in the mechanics of exporting and special financing.

Strategic export initiatives are needed to stimulate this export activity at both the State and local level. Our Center, which was founded in 1979, and located at the University of Alabama campus, is a program of the Small Business Development Center Program.

We take a strategic approach to program development. Our programs are developed—based on the needs of an industrial sector, sectors with economic growth potential, and those with importance to the economy of our State.

Such a program was designed for the Forestry sector of Alabama, which employs 67,000 persons and, for our State, contributes \$3 billion annually to the economy. During the past few years, this program has identified foreign markets for selected products, trained Alabama suppliers for export negotiations, conducted two trade missions, hosted foreign agents and importers, assisted in the institutionalization of a permanent position at the Alabama Forestry Commission to support the export of forest products and, importantly, concluded approximately \$4 million in export sales for first-time exporters to both Asia and to Europe.

Another sector which is very important for the State of Alabama is high-technology, which is important to many other States. The reason for our targeting this sector is because technology innovations fuel economic growth.

We have over 2,500 high-technology firms in Alabama because of the NASA program in Huntsville and because of the research program in Birmingham Medical School. High-technology accounts for

over 13 percent of non-agricultural employment in our State. It also contributes over \$6.8 billion annually to our State economy.

The State of Alabama lacks a clear policy for the stimulation of technology and innovation for economic growth.

The program that we set up to assist these companies is called Technology Transfer Partnership Service. The results are increased transactions in exporting and licensing joint venture, and technology transfer. The services included in the service are partner search, partner evaluation, strategy for the companies, and negotiations.

This service is carried out through relationships with foreign-based intermediary organizations. The association with one such intermediary, the Danish Technical Information Service, which is under the Danish Ministry of Industry, has resulted in two cooperative projects that we are currently involved in.

The first is research and matchmaking which is affecting approximately 25 Alabama companies and 35 Danish companies. In this process, we are finding strategic partners for companies on both sides where they will market and jointly produce products for the international marketplace.

The second is a study tour for 16 Danish furniture manufacturers which will be coming to our State in about 2 weeks. They are interested in establishing joint ventures for both production and for distribution in the United States.

For fiscal years 1983-84 through fiscal year 1985-86, 34 of our clients—and these are first-time exporters—produced \$45 million in export sales. Other activities which reflect progress with impact but may not have a dollar value attached to it are: The addition of full-time personnel within those companies to work only in the area of international marketing, the appointment of agents and distributors in foreign countries, preparation of sales literature in foreign languages, and joint ventures and licensing agreements concluded with foreign cooperators.

From our experience, a company needs approximately 100 hours of research, of analysis, of contact with people in the international business support community to assist them to become involved and produce measurable results.

We feel that if companies are allowed to develop in isolation without knowledge of what foreign competition exists, how the resources in the world are being moved, and what technological developments are taking place, our industry will suffer and deteriorate. With no long-range planning and by remaining passive, firms have to accept further inroads by foreign competition into our market share abroad and at home.

Programs such as ours can be built or expanded at the State and local level which can address the needs of these companies—whether they are informational or skills needs—and can assist them in developing their market share.

Thank you, sir, and thank you for the companies that are going to benefit from this program.

[Ms. Miranda's prepared statement may be found in the appendix.]

Chairman LAFALCE. Thank you very much, Ms. Miranda. Is this your first appearance before us?

Ms. MIRANDA. Yes.





equate to provide suitable opportunities. We have, in fact, ignored those opportunities because we see that the number of potential awards is so small that even the 20 to 25 page proposal required by SBIR has not been a particularly attractive opportunity for us.

So, I have suggested in my testimony that consideration be given to some additional allocation of funds at the National Science Foundation consistent with some other proposals that have been made for competitiveness improvements that would result in increased funding of NSF, to do some adjustment in SBIR. These funds would be allocated to areas such as environmental protection, transportation, commerce, other areas besides defense, NASA, and the big externally-supported programs in SBIR.

I would like to support very strongly also the increased support for Small Business Development Centers and for their promotion of export potential. We found a great deal of difficulty in gaining access to information. Perhaps, we have not tried hard enough, but it is very clear that even for a firm such as ours, close to Washington—we hope well attuned to what is going on in Government circles—that we have had some difficulty in penetrating this maze.

I would certainly strongly support additional efforts that might be made to simplify the procedures, the administration of the various export control requirements. For us, these requirements have a very serious impact, particularly munitions control clearances, because we, in fact, have products which are subject to munitions control.

So, I would also include some encouragement for simplified procedures in that area as well.

Capital formation and technology transfer are also very important topics to us. My time is running short, but I would certainly second those efforts that are in your proposed legislation to improve the situation for capital availability and the opportunities for technology transfer programs overseas.

Thank you very much.

[Dr. Drew's prepared statement with attachment may be found in the appendix.]

Chairman LAFALCE. Thank you very much, Dr. Drew.

Our next and final witness today will be Mr. James Carras, president of James Carras Associates, and member of the faculty of MIT.

TESTIMONY OF JAMES CARRAS, PRESIDENT, JAMES CARRAS ASSOCIATES, AND FACULTY MEMBER, MASSACHUSETTS INSTITUTE OF TECHNOLOGY, DEPARTMENT OF URBAN STUDIES AND PLANNING

Mr. CARRAS. Thank you, Mr. Chairman.

Mr. Chairman, my name is James Carras, and I am president of James Carras Associates, a Florida-based firm that specializes in development finance policy and programs for financial institutions and government development organizations.

I wish to apologize to the committee today for the lack of prepared written testimony which is en route from Florida, which is suffering today from some severe thunderstorms and tornado

watches, and my Florida office has been trying to send it up, but without much success.

Chairman LAFALCE. No apology is necessary.

Mr. CARRAS. I came down from after teaching a class in Boston last night, and we were delayed for 2 hours. So, today has not been a successful transportation day for either North or South.

I wish to congratulate you, Mr. Chairman, and the committee for drafting this Small Business Title and its four primary areas. I wish to speak to two necessary areas of the success of the title; that is, in capacity building of small businesses and capital formation.

The key factors to small business success is capital and capacity to produce. Low financial mechanisms need to be created and strengthened to supply capital to correct market inefficiencies and equities. Capital is not enough. Technical assistance, management capabilities, and information is essential.

Technical assistance at Small Business Development Centers and the SBA's Office of International Trade through the title may include management training and development of export training companies, aid in market analysis, help in product development, assist in structuring appropriate investment arrangements, which clearly has been a problem in the past.

What we have seen is most small businesses today rely on more than one source of financing assistance or financing programs, and clearly in structuring those investment arrangements, assistance in doing that is very necessary, but capital alone will not do the job.

Small Business Development Centers, in my opinion, have done an excellent job in providing education assistance and information to small businesses. The title strengthens their involvement in providing services and technology transfer to small businesses and trade.

In terms of my observations on the need for better small business in a workable finance system, we have done some work in this area and the title seems to cover many of the points. I would like to just review some of the elements of what we believe a workable small business finance systems must have.

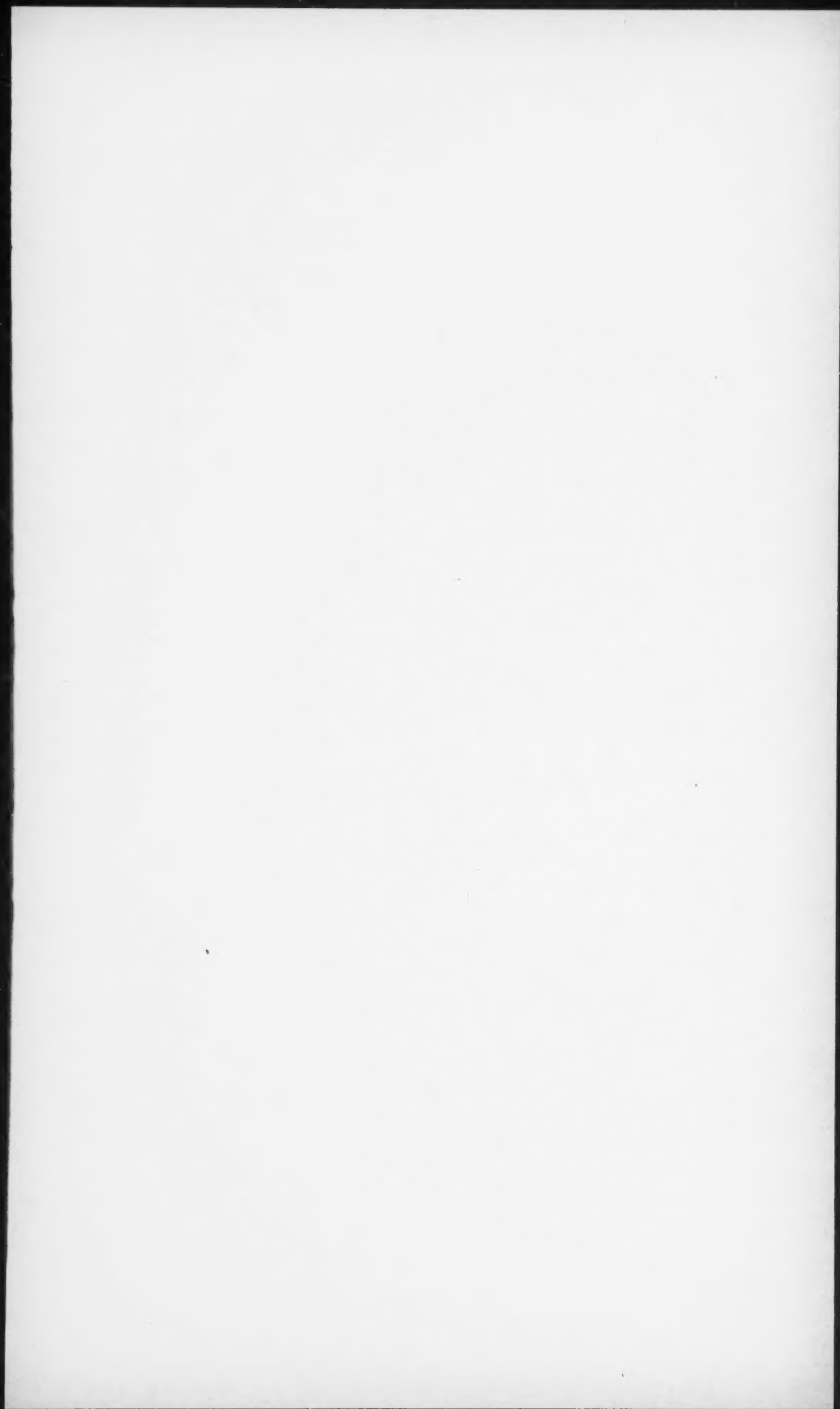
(1) The purpose of any small business system, financing system, must be direct and straightforward.

(2) It must concentrate its public resources on documented problems of capital markets where its investment will clearly make a difference.

(3) Funds should be flexible and need to be long-term.

What we really stress is accessibility to financing. Accessibility to capital and not so much subsidy. Subsidy is not the important issue and the title does not outline anything to do with subsidizing funds, but it does emphasize access to funds.

(4) It must concentrate on firms not necessarily that are large, but small firms that export goods and services to more affluent markets. We work quite a bit with small businesses that are located in distressed areas and enterprise zones across the country. We do not believe that those firms will be successful in meeting the market needs of their distressed communities, but they must be exporting their goods and services, and by opening up new foreign trade areas, these firms will, in turn, help the local economy of distressed areas.





APPENDIX

PREPARED STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MISSOURI

Thank you Mr. Chairman for the opportunity to testify before the Committee today. As you know, we are here under somewhat unusual circumstances due to an accelerated schedule which was imposed on the Trade Bill... The Small Business Committee had less than 2 months from start to finish to develop our title of the Bill. The other Committees of the House which have a part of this bill have had over a year to sift through testimony and ideas before putting their proposals on paper. This is our first opportunity and I give credit to you, Mr. Chairman, for your insistence on a portion of the trade bill for the benefit of small businesses. The opportunity to shape this bill gives small businesses a sounding board and us an opportunity to bring to bear our experience and knowledge to establish policies that encourage and assist our small businesses to compete world wide. We welcome that challenge!

Due to the accelerated schedule, however, there was no opportunity to follow the regular order; that is, to have subcommittee hearings and mark-up followed then by full Committee hearings and mark-up. The Subcommittee on Exports, which I chair, has a deep interest and experience with trade issues and we were pleased to participate in an informal manner to help shape the legislation.





work. H.R. 1854 includes provisions for the SBA to study and report on a variety of ways to handle such a competition or, perhaps, to refocus the SBIR program to the world market. It is the Subcommittees commitment, Mr. Chairman, that in the near future (with a proper foundation of research and the leadership of the Gentleman from Virginia) we will be prepared to move ahead in a separate bill, or in the Reauthorization Bill to set up such a plan. You have my commitment that the subcommittee will move actively on any such proposal.

Fifth and last, Mr. Chairman, we suggest ways to help our businesses speak the language of international trade. I am pleased to say that H.R. 1854 includes provisions that:

- a. Requires the SBA & SBDC's to identify and list translation services that may be available to small businesses, (Frankly I would also like to see better use made of our college language resources and our technical information centers).
- b. The Bill requires SBA to list all employees who are multi-lingual and circulate that list within the agency offices.
- c. Finally H.R. 1854 sets up a pilot program which will provide a translator in a regional office fluent in a language which, in the opinion of the Administrator, is important to small businesses desiring to export and making that translators' services available to any SBA or SBDC office that can use the help. (Chinese for

example might be a good selection) The translator would also accompany a trade mission. After a year, the translator would report on the experience and make recommendations to the Congress and the Administration.

As I mentioned, the Full Committee bill, H.R. 1854, has accepted all of these ideas in substantial part and has added more that were identified in the hearings.

It is a good bill which recognizes this Committees' Jurisdiction area, yet still sends an unmistakable message that the federal government will support small businesses who want to take their products overseas. I commend H.R. 1854 to the attention of my colleagues and I urge them to support it.

One final note, Mr. Chairman; our Jurisdiction under this title is somewhat limited. My colleague Andy Ireland is working on a Floor Amendment for the Trade Bill that will address some of Small Businesses broader concerns. It is a good package of reforms that addresses glaring needs in other agencies. I hope every member of the Committee will review it carefully and support it through rules and then on the floor.

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PREPARED STATEMENT OF ALLAN NEECE, NEECE, CATOR & ASSOCIATES

Mr. Chairman, my name is Allen Neece. I am with Neece, Cator and Associates, a Washington, D.C. based firm that specializes in representing associations and companies that are either the providers of services and/or capital to small and medium-sized businesses or are themselves composed of generic or industry specific small and medium-sized member companies. Several of our clients testified in the series of hearings which have served as the basis for the drafting and introduction of the bill under consideration today. All without exception have an interest in, and will be affected by, the provisions of this legislation.

I want to begin my statement by congratulating you, Mr. Chairman first for receiving a commitment from the Speaker to include a small business title in the trade bill and second, for moving expeditiously in holding a series of comprehensive hearings examining the many issues involved in trying to spur increased exporting and technological development by American small businesses. The bill pending before the Committee is a major achievement and a tribute to the leadership of you Mr. Chairman, the Ranking Minority Member, Mr. McDade, and the Export Opportunities and Special Small Business Problems Subcommittee Chairman, Mr. Skelton and the Ranking Minority Member, Mr. Ireland.

It's not my intention to critique every specific sub-section of the bill in my statement today as witnesses appearing in your prior hearings have amply demonstrated the need for the type relief addressed in H.R. 1854. Instead, I will speak generally to the five major sections of the bill and whether they are responsive to the needs of the small business community.

With that Mr. Chairman, I want to say this bill is right on the mark. You have successfully spelled out the four primary areas where smaller concerns need help, namely, enhancing their ability to export, facilitating technology transfer, assisting them in competing with exports, and making long-term capital more accessible to enable small business owners to respond to the first three needs.

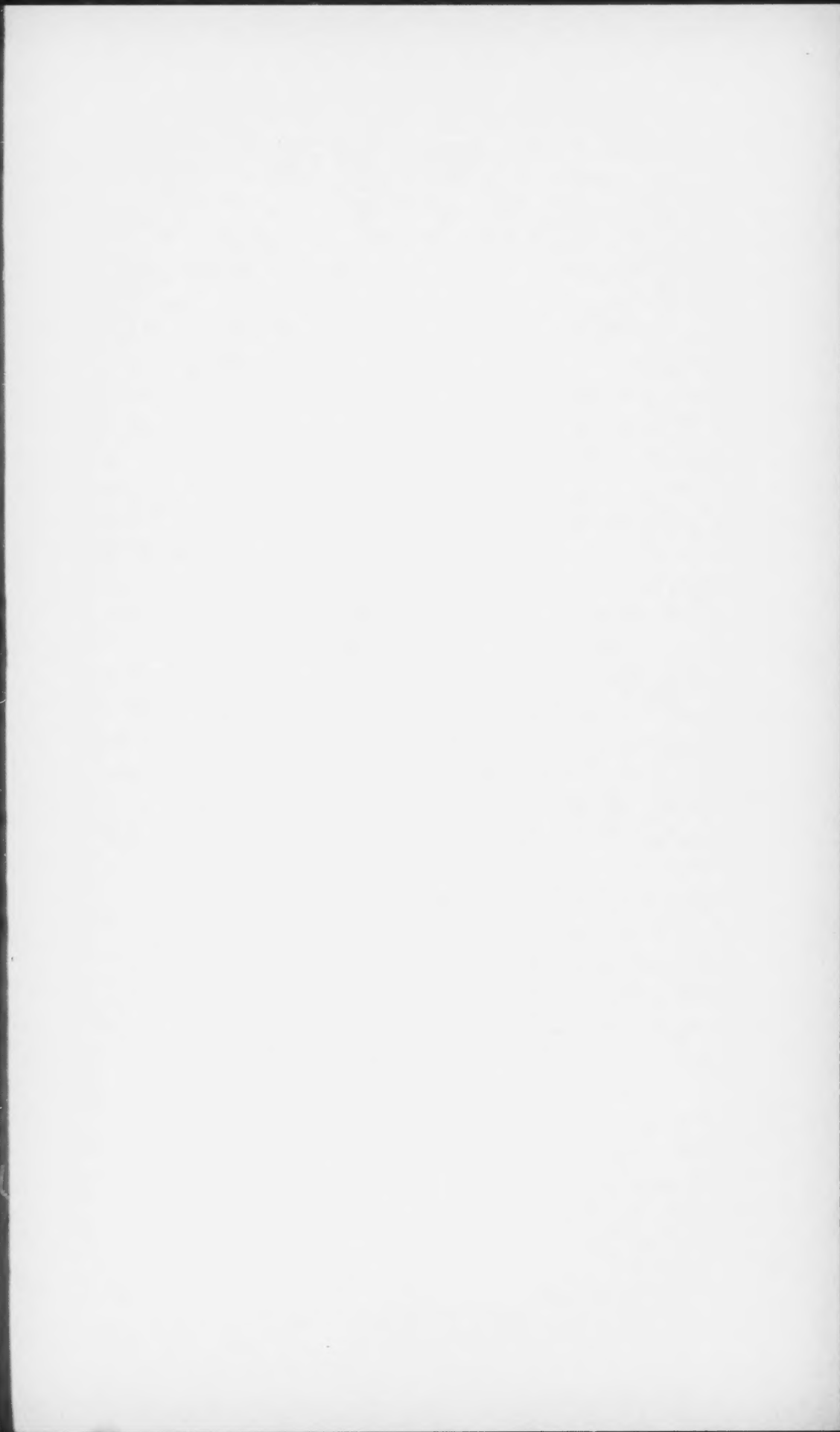
Section three responds to a need that has existed for years and that is identifying and marketing existing federal programs that can be helpful to firms wishing to export. Now they either have no idea such programs exist or do not know how to access such programs even if they are aware of their availability. This section will also serve to alert firms not now exporting that marketing opportunities exist in foreign markets and ensure that data is compiled identifying such opportunities. It will also hopefully serve to overhaul the antiquated SIC code and give the smaller company the tools to aggressively increase its exporting efforts or begin exporting for the first time. Providing translating services and directing that SBA and Export-Import Bank loans programs be creatively marketed is particularly appropriate, and frankly long overdue.

Examining the feasibility of using an SBIR format in the foreign trade area is daring and imaginative. Thanks to you, Mr. Chairman, the SBIR legislation which you steered through Congress in 1984 has been spectacularly successful. There's no reason that the SBIR format cannot be replicated in the foreign trade area.

Providing help in the export licensing area meets a critical need. Attempting to export high technology products has been a vexatious problem that has discouraged many companies from continuing to export and has caused many would be exporters from ever attempting to market their products abroad. Any effort to channel resources to help alleviate this export trade barrier will be welcomed by companies of all sizes.

I might add parenthetically that the Department of Commerce has been very helpful in trying to help companies with their export license applications. The real villain in this area is the Defense Department which defacto prohibits the exporting of all kinds of products that are nevertheless readily available from manufacturers located in allied countries. I realize this problem goes beyond the jurisdiction of this Committee, but someday Congress is going to have to bring DOD in tow if we are going to make any real headway in resolving this acute problem.





3. Sorensen, Chiodo & May: 200 hours x average billing rate of \$85 per hour
= \$17,000.

TOTAL VALUE OF DONATED SERVICES: \$54,000

A copy of a letter providing more details of the Utah initiative is attached to my statement.

Linking other state and federally sponsored trade and technology programs will quickly become a reality as a result of the inclusion of a formal directive in the legislation to establish such relationships.

For SBDCs to be successful, however, it is imperative that the legislative history make crystal clear that SBA has to become supportive of, and act cooperatively with the SBDCs in fulfilling this new Congressional initiative. Efforts to phase out the program and adopt punitive regulations which will drive out the remaining SBDCs must cease. Constant guerrilla warfare on SBA's part serves us no useful purpose as only the small business community suffers.

Further, the Deputy Associate Administrator for Management Assistance, who is responsible for SBDC program management, has done miracle work, but she needs sufficient resources to administer the program and she deserves the support of her superiors for making this program the envy of other federal agencies and innumerable foreign governments.

Finally, the increased maximum levels for industrial mortgage loans is a major breakthrough as the current guarantee and dollar ceilings are grossly insufficient for companies involved in international trade. The requirement that such loans be sold in the secondary market is also commendable for it should ultimately drive down the cost of money for the small business borrowers and make additional funds available for reuse by other smaller companies needing similar financing.

In closing, this bill will do much to help small businesses in the trade and technology areas. I urge your support and trust that it will be included in the trade bill which is to be considered by the full House in the next few weeks.



March 24, 1987

G. Thomas Cator & Allen Neece
Neece, Cator & Associates
1050 17th Street, N.W.
Suite 810
Washington, D. C. 20036

Dear Tom and Allen:

The Utah Small Business Development Center has negotiated formal agreements with various accounting and legal firms to give help, free of charge, to our clients. This service is a recognition of the value performed by the SBDC's.

The dollar value of these agreements is substantial and highly leverages the service capacity of the Small Business Development Center. In each instance, these legal and accounting firms who have entered into these agreements have initiated the approach to the Small Business Development Center to offer their services. This action is based on their belief that the SBDC-served sector of the economy is presently not capable of paying for their services, but ultimately will become paying clientele.

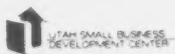
These relationships which cost the SBDC nothing, have proved very effective and are mutually beneficial to the private sector providers, to the small business clientele, and to the SBDC. The following are three examples of the understandings we have reached.

- (1) Deloitte, Haskins & Sells: donation, 200 hours x average billing rate of \$95/hour.
- (2) Jones, Waldo, Holbrook and McDonough: donation, 150 hours x average billing rate of \$120/hour.
- (3) Sorensen, Chiodo & May: donation, 200 hours x average billing rate of \$85/hour.

Sincerely yours,

Kumen B. Davis,
Executive Director

KBD/bg



500 South 200 East - Suite 418 Salt Lake City, Utah 84111 (801) 381-7905

up to \$1 million for plant and equipment related to producing exportable goods, with a related requirement that such loans be recycled through an expanded secondary market for small business loans; and

- o require several studies and reports from the Small Business Administration including (1) examining the possibility of creating a Federal-state guarantee program to permit the Federal government to reduce its exposure; (2) studies of the effect on small American firms of the increasing tendency of prime contractors to subcontract with firms abroad; and (3) looking into the merits of increasing the amount set aside for small business research and development under the SBIR program.

Mr. Chairman, these seem to me to be sound and prudent responses to the competitiveness crisis in which the United States finds itself and, at the same time, they create working models which, if effective, can be built upon as time goes by. I believe, as well, that every justification for these proposals can be found in the report of the Commission.

Let me try to relate the findings of the Commission to the provisions of the proposed title before the Committee.

EXPANDING SBA'S TRADE MANDATE

One of the most impressive features of the bill is the proposal to expand the responsibility and accountability of the Office of International Trade of the Small Business Administration (SBA).

Among the provisions are requirements that the office establish better linkages with other agencies such as Eximbank and its export finance programs, Commerce and Export Trading Companies, and the Department of Treasury with Foreign Sales Corporations.

Enactment of these provisions is essential. As "Making America Work Again"

documented, fewer than one percent of SBA's loans were related to exports in the last three years. These provisions represent the encouragement the agency requires in order, more aggressively, to pursue the exporting potential of small firms.

The Committee must be careful not to add new responsibilities without considering funding or staffing requirements at the agency; but it seems to me that these proposals offer SBA and the new Administrator an excellent opportunity to refine and redefine SBA's role at a time when the agency itself and its programs have had to weather some difficult times.

Particularly important are the proposals to authorize SBA financing for small business Export Trading Companies and to encourage SBA to work with Eximbank. The Commission's analysis indicates that ETC's, which were launched with such high hopes five years ago, have just been a major disappointment. Part of the difficulty appears to have been the lack of interest of the financial community; the proposals in H.R. 1854 might encourage greater interest in the part of the banking community in ETCs.

I want also to stress the importance of having SBA report on how to improve the existing Foreign Sales Corporation mechanism and its tax incentives. The administration of these provisions began in chaos; although there appears to be some considerable improvement and a number of states are sponsoring "shared" FSCs for small firms, there is still a long way to go in streamlining this overly complicated program.

With respect to small business exporting, I should mention an excellent idea developed by the former SBA Administrator, James Sanders, for joint SBA-Eximbank support for small exporters. The notion was a ten state demonstration in which, under certain conditions, SBA could provide the Eximbank stamp of approval and the Eximbank guarantees. A lot of people pinned a lot of hope on this scheme, but less than a dozen deals, worth a total of about \$20 million in sales, were ever negotiated. Part of the

difficulty as I understand it was that Eximbank withdrew its commitment to permit SBA to guarantee the financing. That program was a terrific idea and anything that could be done to revive it is well worthwhile.

Finally, Mr. Chairman, let me mention a recommendation that the Commissioners considered an essential long run step in educating the small business community about trade — a conference of summit conference nations on small business.

I am well aware that Congress cannot convene summit conferences. Nevertheless, I would hope that in reporting this bill the Committee would include some report language encouraging the Administration to take some steps to make such a conference a reality.

To conclude, the Commission's report called for major efforts to expand our exporting base and to better serve the exporting needs of small business. H.R. 1854 represents an impressive response to these recommendations.

SMALL BUSINESS DEVELOPMENT CENTERS

The National Commission on Jobs and Small Business endorsed the most widespread efforts to involve every state in exporting, to analyze individual state trade flows, and to create marriages of our universities and small business communities with an eye toward economic growth through technology transfer. The provisions in the Committee's bill to expand the responsibilities of Small Business Development Centers (SBDCs) for these purposes are right on target.

With respect to technology transfer, I would suggest report language encouraging SBDCs to involve faculty members from their science departments and schools of engineering in this effort. The commercialization of fundamental research involves a host of technical and patent problems with which most schools of business administration are ill-equipped to deal.

CAPITAL FORMATION

I understand that the Committee's bill includes two major new proposals:

- o a new guarantee under 7(a) for long term loans for plant and equipment to produce exportable goods provided that the loans are recycled in secondary markets; and
- o a study by the SBA of the viability of a federal-state guarantee program to encourage state co-insurance and to permit the federal government to reduce its exposure.

Both of these proposals directly track the recommendations of the Commission.

The report stated that "new mechanisms and financial instruments to increase the volume of capital investment in small firms" are "urgently needed." It recommended significantly increasing the volume of long-term, fixed-rate, small business loans by, among other proposals, expanding the existing secondary market and creating a federal-state guarantee program, similar to federal-state housing coinsurance.

These recommendations, Mr. Chairman, were at the heart of the Commission's report. Nothing is more important in creating a healthy climate for the growth of small firms than the capital recommendations included in the Committee's bill.

Obviously, the Commission recommended immediate implementation fo a federal-state guarantee program. The study proposed by the Committee is a very prudent response to the Commission's recommendation and an essential first step that promises significant long term returns.

OTHER STUDIES

Finally, Mr. Chairman, let me comment briefly on the two other studies proposed by the Committee.

The first calls for an examination of the effects on American small firms of the globalization of production, specifically of the tendency of American prime

contractors to subcontract overseas.

This issue of the erosion of the base of American subcontractors, mostly small and mid-sized firms, is one of the most significant and poorly-understood developments of our time. It has enormous implications for the economic and military well-being of the United States.

Representative Terry Bruce of Illinois has been trying to dramatize this problem with a very mundane illustration: crankshafts for the engines of five-ton trucks. Only one American firm today produces such a crankshaft; it happens to be in Mr. Bruce's district.

The significance of this is that the five-ton truck is one of the workhorses of the U.S. Army. We have to ask ourselves if it is healthy to continue to hope for the best for that particular firm -- because if it goes under, the Department of Defense will have to go overseas to keep its personnel and materiel mobile.

I believe the logistics people in the Department of Defense are worrying about this problem. About a year ago they released a study of the American bearing industry casting some doubt on the capacity of that industry to sustain the country's economic and military requirements in the event of an emergency.

The Commission did not examine this issue, but my own sense is that the study you are proposing is badly needed.

H.R. 1854 requests also an examination of the effects of increasing the setaside under the SBIR program

The Commission recommended increasing the setaside to three percent, as did the White House Conference on Small Business. The Commission believe the evidence is already in on SBIR: It is a highly effective, competitive, and successful program, with far more applications for available awards than can be supported.

The setaside should be increased. Let me point out that increasing the setaside

may well prove a significant long-term advantage to the university community. Legislators at the state level increasingly question appropriations for their state universities. They argue, for example, that taxpayers in the midwest are paying to train engineers who, upon graduation, immediately move to Silicon Valley, the Sun Belt, or Cambridge.

SBIR can create attractive employment opportunities around every engineering school in the country creating, in effect, a situation in which everyone benefits — the small business, the university, the legislature, and the graduates. That is why, in the long view, SBIR may be the best medicine every prescribed for academic science.

Let me conclude, Mr. Chairman, by applauding you and Mr. McDade and the members of the Committee for your leadership in developing the comprehensive legislation we are discussing today.

I must say also that the Committee staff has performed a nearly impossible task in organizing a very comprehensive set of hearings so swiftly in order to help develop H.R. 1854.

It is, I believe, very promising, in the midst of the great national debate about trade and competitiveness, that small business is being recognized for the significant role it can play.

The Commission called on all who care about our future to step forward to address the competitive challenge facing the United States. This Committee is doing so. The country is in your debt and the small business community is fortunate to have such champions.

PREPARED STATEMENT OF NISA MIRANDA, DIRECTOR, ALABAMA INTERNATIONAL
TRADE CENTER

I. INTRODUCTION: THE NEED FOR STRATEGIC EXPORT INITIATIVES FOR SMALL
BUSINESS AT THE STATE AND LOCAL LEVEL

Small business firms need help to overcome the barriers involved in exporting products abroad. Exporting requires a financial and management commitment to develop overseas markets. It requires an understanding of foreign business practices, language and culture, and of specialized shipping and payment procedures. Exporting is a difficult process for firms inexperienced in international business.

Small firms need access to specialized information. Small firms need access to specialized information in order to evaluate their export potential, select target markets, and initiate contact with potential overseas buyers or distributors. Secondary sources of information or published sales leads are too generic for the needs of many small businesses. These sources fail to identify important elements such as demand for products, competition and market share, foreign distribution patterns and sales channels, and the best agents and importers for products.

Small firms lack financial resources. Small businesses often lack the financial resources to travel abroad, develop special promotion literature in foreign languages, make product adaptations to meet foreign demands and tastes, and hire internationally skilled personnel to handle the details of developing and maintaining a market share in a foreign country. Exporting is an expensive and time consuming process. It requires a support structure of international bankers, freight forwarders, lawyers, and market research specialists to make the process easier.

Exporting is an economic development tool. Studies have shown that increased export activity stimulates job formation not only in the exporting firm but in related industries and the service industries which operate in support of the exporting firm. More and more state and local economic development agencies are rapidly introducing export promotion to their existing industries programs. A wide variety of general services are being offered to help firms become more aware of the benefits of exporting.

However, strategic export initiatives are needed to stimulate export activity and increase economic development for the specialized needs of each local industrial base. Each state possesses different industrial

characteristics. International strategic plans need to be developed and implemented for a state's industrial sector(s) that can compete globally, or within regional overseas markets, or in product niches. A network of support organizations--lawyers, bankers, forwarders, educators--must be built and mobilized to assist exporters in selected industries. Companies seeking to export need to have one-on-one, individual contact and export assistance. Programs at the state and local level need to address the needs of companies and industrial sectors which can have the greatest economic impact within their own area.

II. THE ALABAMA INTERNATIONAL TRADE CENTER: A STRATEGIC APPROACH TO PROGRAM DEVELOPMENT

Background

The Alabama International Trade Center (AITC) was established as one of the first University-based international trade centers in the U.S. Since its inception in 1979, as a specialty center under the U.S. Small Business Development Center Program and through contracts with the State of Alabama, the AITC (located on the University of Alabama campus in Tuscaloosa) has served as a model to foster and support international trade and investment between Alabama companies and potential trading and investment partners worldwide.

Its role, in conjunction with those federal and state agencies within Alabama organized to provide international assistance, is 1) to serve the Alabama business community by stimulating and developing international business opportunities, 2) to assist in industrial/economic development by identifying companies for expanded international activity and by formulating and implementing industry/state strategies, and 3) to further the University's central philosophy of research and service to the community.

The AITC is located at the University of Alabama which is committed to industrial and economic development, particularly with regard to international business development initiatives. This enables the AITC to draw upon the expertise of the University's human resources as needed and utilize its extensive research facilities. The AITC plays an educational role by

providing students practical international business training, working as part-time staff researchers. It is currently staffed with fourteen persons, nine of which are full-time. All consulting staff have graduate degrees in international areas, speak foreign languages, and have business and travel experience.

The AITC's services for its clients in business and government include:

- 1) international research to identify international business opportunities,
- 2) strategic planning and implementation to achieve results,
- 3) international business, language and cultural training for companies and government officials, and
- 4) joint venture and licensing services--partner search, evaluation, and negotiation--for export firms expanding into overseas markets.

The AITC operates as a non-profit organization on a contract basis. It has entered its seventh year as a specialty center of the Alabama Small Business Development Center Consortium. Under this contract, the AITC counsels over 250 small business firms and conducts over ten seminars each year. This program, which is designed to help small firms export, has produced, since FY 1983-84, over \$45 million in export sales from 34 companies, each of which have received an average of 100 counseling hours. It was cited as an exemplary program in a September 1984 report of the House Committee on Small Business regarding state small business export initiatives.

Approach

The AITC takes a strategic approach to program development which has contributed to its success. Programs are developed based on the needs of an industrial sector in Alabama, the sector's economic growth potential, and its importance to the economy of Alabama. Extensive research and sales contacts are generated based on the needs of sectors targetted and the companies within those sectors. The AITC initiates contacts with foreign agencies and private firms, encourages foreign travel, and reciprocal visits. A strategic plan is devised and implemented for that sector. A network of support for the companies is structured which is comprised of international bankers, freight forwarders, lawyers, and state agencies. The AITC leverages the financial resources of the SBDC program and the University by bringing in additional contracts with similar export objectives. The following examples are given to highlight this strategic approach to program development.

Exporting Forest Products

The AITC developed a special program of action for the forestry sector of Alabama. The forest products sector contributes over \$3 billion annually to the state's economy and employs over 67,000 people. With over 22 million acres in commercial forest land (over 2/3 of the state's land area), this sector is an important engine to the economy of Alabama. The growth potential of this sector is promising with Alabama possessing sufficient hard and softwood to supply domestic and international markets for the next ten years.

However, this sector did not have a significant export economy. Firms are small and scattered over a wide geographic area. These firms were not active exporters, had very little knowledge of where their lumber was being sold or to what end uses, and had no control over the marketing and sales process. In addition, companies were unfamiliar with the demand and product requirements of the foreign market.

Through a contract from the Tennessee Valley Authority over three years, beginning in FY 1984-85, the AITC has successfully, 1) established an export promotion model for the forestry industry, 2) identified foreign markets for selected forest products, 3) trained Alabama lumber suppliers for export negotiations, 4) conducted two export trade missions, 5) hosted foreign agents and importers in Alabama, 6) assisted in the institutionalization of a permanent full-time position at the Alabama Forestry Commission to support the export of forest products, and 7) concluded approximately \$4 million in export sales for lumber firms to the Far East and Europe.

Exporting Advanced Technology Products

The AITC targetted the high technology sector in Alabama in 1985, for new program development for the following reasons: 1) technology and innovation are one of the key factors for fueling economic growth, 2) Alabama lacks a clear program of action to stimulate technology and innovation from a policy and economic growth standpoint, 3) there are over 2,500 high tech oriented firms in Alabama which account for over 13 percent of its non-agricultural employment and contribute over \$6.8 billion annually to the state's economy.

The AITC identified the following needs for the state's technology

firms: 1) specialized and technical international market research in aerospace, defence, communications, medical, biotechnology, agriculture, and engineering, 2) location and screening of overseas business opportunities, 3) sales and marketing training, 4) network and support mechanism for innovation and commercialization and 5) strategies and training for licensing and joint ventures.

The AITC developed a new program, the Technology Transfer Partnership (TTP) service. The TTP service was based on the premise that Alabama firms, in order to be competitive, need to have access to new technology and new markets. Companies must be able to market new technologies and products abroad and they must incorporate new advanced technology into their production and manufacturing process.

This implies that Alabama firms must be open to licensing, joint ventures, and cross marketing arrangements with foreign based partners in order to fully exploit foreign market opportunities. The TTP was developed to bridge the gap between new technology development and its commercialization or marketing, and to provide a mechanism to establish cooperative partnerships with foreign based companies.

The purpose of the TTP is to strategically link companies in Alabama with appropriate overseas partners to increase transactions in export, licensing, and joint venture. Services include 1) partner search, 2) partner evaluation, 3) partner strategy, and 4) partner negotiation.

From November 1985 to August 1986, the AITC developed relationships with foreign based "intermediary" organizations in eight European countries that have access to a wide range of foreign businesses and research information to assist in the identification and evaluation of partners. This network of contacts reduces partner search time and facilitates the matchmaking process. A short description of the results of one program established with an "intermediary" organization in Denmark is provided to illustrate how the TTP service operates.

The Danish Initiative

The AITC, through its TTP Service, established a cooperative program

model in November 1986 with the Danish Technical Information Service (DTO), designed to encourage and facilitate licensing and joint venture between Denmark and Alabama. The following preliminary activities were planned and undertaken during November 1986 in Copenhagen to introduce Danish industry and government officials to the DTO/AITC model: 1) mini seminar on technology transfer, 2) exhibition booth for AITC and DTO clients, 3) individual company meetings between 33 pre-selected Alabama companies and 54 Danish companies.

Based on the results of these activities, the AITC, in conjunction with DTO, was awarded a pilot project in January 1987, by the Danish National Agency of Technology to facilitate licensing and joint venture between 25 Alabama companies and 35 Danish firms over a six month period.

Forest Products and Denmark

DTO and AITC initially focused on the forest products sector and were awarded in February 1987, a Study Tour and Partnership Exchange for a group of 16 Danish furniture manufacturers interested in establishing U.S joint ventures for production and distribution. Scheduled for April 8-15, 1987, the goals of this tour are to: 1) investigate the use of Alabama wood products and open sales channels in Denmark, 2) assist the Alabama furniture industry by exchanging product and production know-how, 3) meet and evaluate potential partners, and 4) evaluate Alabama as a base for establishing U.S. manufacturing. This tour enables the AITC to continue its cooperative effort with the Alabama Forestry Commission (AFC) to develop international opportunities for the forest product sector in Alabama. A forest products international trade specialist for this Montgomery-based state agency is located at the AITC in Tuscaloosa.

Conclusion

The AITC will continue to develop programs and services designed to respond to the needs of Alabama's industrial sectors. For programs started for the forest products and high technology sector, the AITC will continue to leverage the resources of the SBDC program by attracting support from federal and state agencies with compatible objectives to increase export activity in the U.S. By all estimations, the demand for services similar to those delivered by ther AITC are far greater that the ability to respond effectively and timely. With increased financial support, the economic development impacat of such programs can be enhanced.

PREPARED STATEMENT OF DR. RUSSELL C. DREW, PRESIDENT, VIKING INSTRUMENTS
CORPORATION

Mr. Chairman:

I am pleased and honored to have this opportunity to testify before this Committee on the role of small business in U. S. trade, particularly those small businesses involved in high technology products and services. I have direct personal experience in this area, since Viking is a small business presently engaged in developing a state-of-the-art mass spectrometer system that will be used for environmental testing and other applications wherein rapid, specific detection of complex unknown samples is desired. As such, I believe Viking is typical of a number of small, high technology enterprises that are springing up all over the country with ideas for new products to serve the U. S. market. An important factor in assisting Viking to develop its product has been government support, particularly through the SBIR (Small Business Innovation Research) program. In the case of Viking, there is an additional element involved, since part of the technology base for the mass spectrometer being developed by our company stems from the NASA Viking mission to Mars. So our firm has also been engaged in a technology transfer effort from a government-sponsored program into a product line that is intended for the commercial marketplace.

In this regard, Viking is alive and well today as an emerging high-technology firm because of far-sighted individuals in the Congress who recognized the value of small business and provided the mechanisms whereby (1) such new firms could compete more equitably for R & D contracts from Federal agencies, and (2) gain access to Federal technology on a more even-handed basis than would otherwise be the case. Viking has probably had a better understanding of these opportunities than the average firms because several of its principals have been close to science and technology policy and the Federal programs that have been enacted in this area. You will note from my biographical data that I spent almost eleven years in the office of the President's Science and Technology Adviser and have continued my interest in policy issues involving science and technology in the years since leaving the Government.

There are a number of observations that emerge from my experiences, both before the establishment of Viking and in my current position.

First, there is an important role for the Federal Government, through such measures as SBIR, to enable small business to compete on a more even playing field with large firms and to provide incentives to the development of small firms. There is a clear example of this in the case of Federal R & D programs. The often burdensome paper work associated with Federal contracting and the marketing necessary to become adequately aware of Federal R & D needs and procurements are all currently stacked strongly in favor of the large firm. Without SBIR, there would be very little small business involvement in the Federal R & D marketplace. This is true also in gaining access to foreign markets, where a large firm can afford the overseas presence necessary to open the sales opportunities and give the customer the product support needed to make the sale. A small business is severely hampered in this arena, both by the lack of market information and by the lack of personnel that can provide product support.

Second, the highest priority for a firm that is in a start-up mode of operation, is to strengthen the firm by stressing those markets that are the easiest to serve and most accessible. This will normally be a U. S. national market. Later, as the small firm is more established, there will be greater flexibility to exploit overseas markets and to serve these markets successfully. We must be sensitive to the negative impact of products that are sold overseas without adequate product support. Thus, the target for small business trade assistance will typically be a firm that has already established a market in the U. S. and is past its startup phase. I will later propose a number of useful ways in which such a firm might be assisted in accessing potential overseas markets.

Third, information about currently available trade assistance and the various existing mechanisms for gaining access to overseas customers is not widely available. For example, although Viking has actively and successfully participated in several Federally-supported programs such as SBIR (six awards to date) and the technology-licensing program (under the "Bayh Bill") no information on trade assistance was ever offered or received. Despite our location, in close proximity to Washington, we have not been aware of the extent or type of assistance that may be available. This would appear to be one avenue that could be opened very easily and with very little cost. A brochure that summarizes the available assistance could be included as part of the information sent to each SBIR winner--and perhaps even to every SBIR applicant, since only a small fraction of the applicants win awards. Since adequate and timely information is an important part of the process of expanding export opportunities for small business, I would strongly support provisions of the trade bill that call for a better "distribution network" for information about relevant programs, and broad distribution of information within the small business community.

Fourth, it is a proven fact that U. S. small business can compete successfully when there are fair and equitable conditions present. Federal Government programs provide a much needed factor to redress the unbalanced situation that exists internationally today. Traditionally, small business in the U. S. has had a sufficient national market that has

been adequate for the development of most products and services without the presence of any export market. There is still a very large U. S. market for needed products but in international trade the U. S. urgently needs the innovative contributions of its small business community to assist in dealing with our current negative balance. Since we do not have a tradition of needing exports to build successful small companies and we do not have the established linkages with overseas markets, there is some "pump-priming" that must be done to overcome these defects. As you know, it is difficult and not very efficient for small businesses to initiate overseas marketing on their own. The export trading company can play a very useful role here. I support a much stronger role for the Office of International Trade in SBA in assisting small businesses to develop trading companies and associated funding mechanisms that would strengthen the small business component of our foreign trade.

Finally, I should note that it is the dynamic pressure that is created by small business on large, established suppliers that helps keep our economic system afloat. In recent years, it is the small business sector that has created a large fraction of the jobs that have been needed to meet the demands of an expanding workforce. It is the small entrepreneur who has taken the risks and pioneered such products as the personal computer and thereby planted the seeds for a whole new industry. Small business alone cannot correct the competitive imbalances we see today in our balance of trade, but small business needs to be viewed as part of the solution to our problems.

What, then can be done?

I have a number of suggestions to offer--not as a panacea, but rather as part of a larger strategy of support for a new thrust to improve the international competitiveness of U. S. industry. In recent Administration statements in this area, a doubling of the funding for NSF has been proposed. I would support such action, if the increased funding was properly applied to those areas which have the greatest pay-off relevant to industrial competitiveness. We are the world's strongest nation in the sciences--our overwhelming dominance of Nobel prizes over the past decades have demonstrated this. But we have significant gaps in our ability to convert this lead in science to an equivalent lead in the application of this knowledge to new products and services.

We must make a commitment to convert our leadership in science to world leadership in technology.

An important step in this direction would be to allocate increased NSF funding to two specific principal areas: (1) An expanded SBIR program, and (2) Engineering and engineering research centers. I firmly believe that small high technology firms represent the best mechanism for converting science into technology. Consequently I have several specific suggestions regarding the need to an expanded SBIR program in NSF. I believe that the present SBIR program has been widely recognized as a valuable source of new ideas and very high quality work in support of the sponsoring agency's missions, with prospects for important commercial

spin-off benefits. There have been many calls for an increase in the fractional amount of the external research program that is devoted to SBIR. This is desirable, but I believe it does not do enough to address a structural deficiency that exists. This is simply that at the present time there is not enough SBIR funding made available in areas of maximum commercial potential. Some of the largest SBIR programs--DOD and NASA--do not have a strong overlap with commercial products. Conversely, areas of high commercial potential such as EPA, Transportation, and Commerce have so little SBIR funding available that many high quality proposals are never funded and, recognizing the low probability of funding, are probably never written. One solution to this problem which does not upset the current SBIR allocation for these agencies is to compensate for this structural defect by increasing the NSF SBIR program and give NSF the added responsibility of sponsoring SBIR work complimentary to those mission agencies whose external research budgets are small relative to the commercial potential for new products and services in their areas of interest. An interagency planning group possibly chaired by OSTP (Office of Science and Technology Policy) could very easily coordinate SBIR solicitations, and mission agency help could be used in proposal review. Further, relative to increased funding of the Engineering Research Centers, steps should be taken to modify the role of the centers to specifically include small high technology firms.

Another element could be added to an enlarged NSF SBIR program which would give added incentive to small business--university collaboration. This would be a program in which the major element in the evaluation of the proposal would be the degree of constructive participation of university research personnel to aid in technology development. We have a strong technical base in our universities, and to a significant extent it is only the larger companies that have the resources to tap this resource systematically. Small businesses would tend to relate to their local university and hence would assist in development of an aggregation of business--university activity that supplies local jobs and pumps needed funds into the local economy. An expanded SBIR program in NSF could also have as part of its objectives collaboration with the SBA Office of International Trade to enhance the connection between small business and the export marketplace.

Mr. Chairman, I am encouraged by the prospects for greater Government--small business collaboration in the future and the focus that your Committee is supplying on small business needs--particularly in opening up foreign trade. Our U. S. small business activity is the envy of the world--even by those industrial competitors such as Japan where their large firm emphasis has been so successfully applied. Small business in the U. S. is on the move. With continued nurturing by the Federal Government we can be an important force to redress our competitive failings.

This concludes my prepared statement, Mr. Chairman. I will be pleased to answer any questions you may have.

BIOGRAPHY

RUSSELL C. DREW

PRESIDENT

VIKING INSTRUMENTS CORPORATION

STERLING, VIRGINIA

Dr. Drew is currently President of a small business engaged in developing analytical instruments and is actively involved in product engineering and design as well as business management decisions. Previously, he was President of Science and Technology Consultants, and Director of Washington operations of Systems Control, Inc. Dr. Drew's Federal Government experience spans both policy-level and technical development activities, including eleven years as a senior staff member for the Science Adviser to the President of the U.S. He directed the Office of Naval Research Branch in London, England, and worked on Polaris Missile System development. He was a Navy carrier pilot, and was awarded the Distinguished Service Medal, among other recognitions. He has a Ph.D. (Physics, Duke University) and a B.S. (EE and Physics, University of Colorado), is a member of Sigma Xi and Sigma Pi Sigma (Physics), and recognized in *Who's Who* and *American Men and Women of Science*. He is currently the President Elect of the Institute of Electrical and Electronics Engineers, Inc., the worlds largest technical professional society with over 285,000 members worldwide.

PREPARED STATEMENT OF HON. NICHOLAS MAVROULES, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MASSACHUSETTS

THANK YOU MR. CHAIRMAN. I WOULD LIKE TO TAKE THIS OPPORTUNITY TO CONGRATULATE YOU AND YOUR STAFF FOR THE LONG HOURS AND CONSIDERABLE EFFORT YOU HAVE GIVEN TO THE SMALL BUSINESS TITLE TO THE TRADE BILL.

THOSE OF US ON THE COMMITTEE KNOW THAT SMALL BUSINESS IS AT THE CENTER OF THE VAST MAJORITY OF INNOVATION AND JOB CREATION TAKING PLACE IN THE UNITED STATES TODAY. PERHAPS TO A CERTAIN EXTENT WE ARE PREACHING TO THE CHOIR HERE TODAY. HOWEVER, BY INCORPORATING THIS TITLE INTO THE TRADE BILL WE ARE ASSURED THAT THE VOICE OF THE SMALL BUSINESS COMMUNITY WILL BE HEARD AS WE DEBATE ONE OF THE MOST IMPORTANT LEGISLATIVE INITIATIVES TO COME BEFORE THIS 100TH CONGRESS.

AS CHAIRMAN OF YOUR SUBCOMMITTEE ON PROCUREMENT, INNOVATION, AND MINORITY ENTERPRISE DEVELOPMENT, I WOULD LIKE TO TAKE SPECIAL NOTE OF THE SECTION OF THE BILL DEALING WITH THE SMALL BUSINESS INNOVATION RESEARCH PROGRAM.

AS YOU KNOW, LAST YEAR WE WERE ABLE TO EXTEND THIS MOST SUCCESSFUL PROGRAM INTO 1993. THEREFORE, IT IS NOW APPROPRIATE TO LAY THE GROUNDWORK FOR THE NEXT REVIEW OF THE PROGRAM. THIS BILL WOULD REQUIRE THE SBA ADMINISTRATOR TO REVIEW AND REPORT BACK TO THE CONGRESS ON THE FOLLOWING ISSUES:

-INCREASING EACH AGENCY'S SHARE OF RESEARCH AND DEVELOPMENT EXPENDITURES DEVOTED TO SBIR BY .25 PERCENT PER YEAR UNTIL FUNDS AVAILABLE FOR SBIR TOTAL 3 PERCENT OF THE PARTICIPATING AGENCY'S EXTRAMURAL FUNDS.

-TARGETING A PORTION OF THIS INCREASE TO PRODUCTS WITH COMMERCIAL AND EXPORT POTENTIAL.

-MAKING THE PROGRAM PERMANENT IN 1993.

-ALLOCATING A SMALL SHARE OF EACH AGENCY'S SBIR FUNDS FOR ADMINISTRATIVE COSTS.

MR. CHAIRMAN, THESE ARE ISSUES THAT HAVE BEEN RAISED FREQUENTLY WHEN THE FUTURE OF THE SBIR PROGRAM IS DISCUSSED. SPEAKING FOR THE SUBCOMMITTEE, I WELCOME THIS REVIEW, AND KNOW THAT IT WILL BE MOST USEFUL AS WE BEGIN TO CONSIDER LEGISLATION TO BRING ABOUT SOME OF THESE CHANGES.

IN ADDITION TO THE SBIR PROGRAM, I WOULD ALSO LIKE TO COMMEND YOU AND THE REST OF THE COMMITTEE FOR RECOGNIZING THE IMPORTANT ROLE OF THE SMALL BUSINESS COMMUNITY IN THE INTERNATIONAL TRADE MARKET. MY FRIEND AND COLLEAGUE MR. SKELTON IN PARTICULAR SHOULD BE RECOGNIZED.

LAST TUESDAY, MR. JOHN RENNIE, PRESIDENT OF PACER SYSTEMS IN MY HOME STATE OF MASSACHUSETTS, TESTIFIED BEFORE THE FULL COMMITTEE. MR. RENNIE BROUGHT BEFORE US AN IDEA THAT MANY WERE NOT FAMILIAR WITH -- THAT IDEA IS THE CONCEPT OF "POOLING."

THE COMMITTEE HAS EXPANDED ON MR. RENNIE'S IDEAS TO HELP CREATE A MORE FAVORABLE CLIMATE FOR THE SMALL BUSINESS COMMUNITY THROUGH ASSISTANCE IN EXPORT PROMOTION AND MARKET DEVELOPMENT.

PEOPLE JUST LIKE MR. RENNIE HAVE HELPED MASSACHUSETTS FOSTER A COMPETITIVENESS STRATEGY WHICH ATTEMPTS TO MEET THE NEEDS OF ALL BUSINESSES BOTH LARGE AND SMALL, AND OF LABOR AND MANAGEMENT. MASSACHUSETTS' SUCCESS STORY HAS ENCOMPASSED A BROAD RANGE OF GROUPS AND IDEALS. THE ONLY QUALIFICATION FOR ADMISSION HAS BEEN A WILLINGNESS TO TRY NEW IDEAS - NEW IDEAS THAT WILL BE VITAL TO THE COMPETITIVENESS OF AMERICA IN THE INTERNATIONAL TRADE ARENA.

MR. CHAIRMAN, MASSACHUSETTS WAS AT ONE TIME A CENTER OF TRADITIONAL HEAVY MANUFACTURING. HOWEVER, MANY OF THE COMMUNITIES IN THE COMMONWEALTH THAT WERE DEVASTATED BY THE DECLINE OF HEAVY INDUSTRY HAVE SINCE BECOME CENTERS OF NEW, INNOVATIVE TECHNOLOGIES. WE HAVE UNDERGONE A SIGNIFICANT RECOVERY, AND WE HAVE BECOME A LEADER IN THE INNOVATIVE USE OF NEW TECHNOLOGY. NEVERTHELESS, NEW IDEAS ARE INEFFECTIVE UNLESS THEY CAN BE IMPLEMENTED. IN MASSACHUSETTS, OUR TRANSFORMATION HAS OCCURRED WITH MINIMUM DISRUPTION. THIS HAS LARGELY BEEN ACHIEVED THROUGH PARTNERSHIP, CONSENSUS BUILDING, AND THE BELIEF THAT SOLUTIONS TO OUR GREATEST PROBLEMS ARE POSSIBLE THROUGH COOPERATION. THE SMALL BUSINESS COMMITTEE MUST ALSO ATTEMPT TO BUILD A PARTNERSHIP, A CONSENSUS, AND A COOPERATIVE; WE HAVE LOTS OF GREAT IDEAS, LET'S NOT SEE THEM GO TO WASTE.

TRULY THE SUCCESS STORY OF THE MASSACHUSETTS ECONOMY IS A REMARKABLE ONE. MASSACHUSETTS HAS LEARNED THE VALUABLE LESSON THAT IN THESE TIMES OF SCARCE PUBLIC RESOURCES, THOSE THAT ARE AVAILABLE MUST BE DIRECTED TOWARD HUMAN INITIATIVE, TO THOSE PEOPLE WHO WILL BE RESPONSIBLE FOR FOSTERING THE CLIMATE FOR INNOVATION IN THE UNITED STATES. I AM HOPEFUL THAT WE AS A NATION, AND WE AS A COMMITTEE WILL SOON LEARN SOME VALUABLE LESSONS FROM OUR EXPERIENCE. THANK YOU MR. CHAIRMAN.



**Small Business
Service Bureau Inc.**

NATIONAL HEADQUARTERS
554 Main Street
P.O. Box 1441
Worcester, MA 01601-1441
(617) 758-3513

TESTIMONY OF
FRANCIS R. CARROLL
PRESIDENT
SMALL BUSINESS SERVICE BUREAU, INC.

ON EXPORT EXPANSION AND COMPETITIVENESS
PREPARED FOR THE
U.S. HOUSE COMMITTEE ON SMALL BUSINESS

A Big PLUS for small business success!

Mr. Chairman, I want to thank you for the opportunity to address the Committee on S.738, the "Training for Trade" bill, which will increase America's export expansion and trade competitiveness.

My name is Francis R. Carroll and I am President of the Small Business Service Bureau, Inc. (SBSB), an organization representing over 35,000 small businesses which are "Mom and Pop" type companies from across the country. I am also a member of the Advisory Council to the U.S. Senate Small Business Committee.

SBSB supports the "Training for Trade" bill, reintroduced on March 12, 1987 by U.S. Senator John Kerry (D-Mass.). This legislation would promote trade with the People's Republic of China through a program of training Chinese technicians and managers in the United States.

Senator Kerry's "Training for Trade" legislation would not only help to reduce the trade deficit, but would create new jobs, new taxes and new trade opportunities for all size companies, especially small and mid-size businesses across America.

Under the provisions of S.738, the United States would make available \$25 million a year for training programs for U.S. companies that want to compete in the Chinese market. The money would stay in the U.S. and be administered by the Trade and Development Program (TDP), a U.S. government agency with several years experience working successfully with the Chinese.

U.S. Competitors are Using Training for Trade

"Training for Trade" is not a new idea. It's already being

used effectively in the People's Republic of China by nearly a dozen of our competitors.

Japan, for example, gives China the equivalent of \$37 million a year for training for trade. The Japanese government realizes that if Chinese managers are trained to use Japanese equipment in Japan, they will be unlikely to buy American equipment -- even if the price is cheaper -- because they would have to retrained to use it.

Other countries that have paid to train Chinese workers on their equipment include Germany, which spends \$418 million a year; Australia, which spends \$13 million a year, Italy, which has spent \$100 million since 1983 and Canada, which gives China \$40 million a year.

Belgium, Norway, Denmark and Sweden have fund training programs for China. The United States has not.

Training for Trade Would Reduce Barriers to U.S./China Trade

The Small Business Service Bureau, Inc. has organized four trade missions and several independent trade missions to China since founding our China Trade Group in 1982. In the past, our missions have returned with such concrete results as purchase agreements, sales orders, letters of intent, licenses, technology transfers and joint venture agreements. However, we have also seen firsthand and through the experience of our member firms and other U.S. companies, how difficult it is to compete in China.

Other countries are dumping their products in China at below market prices. A few are offering loans to the Chinese government at interest rates of zero to three percent to entice the Chinese to buy from them.

These countries realize that China, with a population that includes one of every four people in the world, is a market of great importance ... one that should be developed and cultivated by the U.S. Our trade competitors realize that the United States will be their biggest adversary if we want to be, so they are trying to do what they can now to knock us out of the Chinese market. They are trying to establish a strong foothold now, so that when China reaches its full potential, they will have already captured a large share of the market.

The Chinese market is already growing rapidly. Before 1979, China was a closed market. By 1983, China's foreign trade amounted to nearly \$170 billion. With China's latest five-year plan calling for a doubling of foreign trade, there will be new opportunities for those countries that want to take advantage of them.

Training for Trade Provides Funds to Small Business

"Training for Trade" is the best way to help American businesses compete fairly on China. One reason S.738 provides the best option for increasing trade with China is because the bill includes a provision to allocate half the training funds to

small businesses as defined by the U.S. Small Business Administration.

The most economically advantageous way to reduce the trade deficit is to get more companies to export. Until now, all but a few small firms have stayed out of China because of the huge expense of training and marketing their products in a country as vast and distant as China.

Yet small businesses are particularly well suited to trade with China. The Chinese like to be able to negotiate deals quickly. Only small businesses have the flexibility to do this. By providing small businesses with a \$25 million incentive, more of them will be persuaded to take advantage of the window of opportunity that's open to them through exporting to China.

The advantages to the United States, besides an overall reduction in the trade deficit, will be increased jobs and more local taxes.

U.S. Would Get Return on Foreign Aid

"Training for Trade" also would provide a good opportunity to establish a foreign aid policy with the People's Republic of China. By providing China with aid in the form of "Training for Trade" the United States would for the first time be getting more than goodwill from its foreign aid. The Chinese certainly would benefit, but the United States would get a return on its investment, as well.

Some people seem willing to leave the China market to our competitors -- Japan, Europe, and Canada. They say that China is not worth the trouble. They say that China is too far away. They say that China is not ready for American products. Many people said the same thing about Japan after World War II.

SBSB applauds Senator Kerry for introducing the "Training for Trade" bill. SBSB endorses this farsighted legislation and urges business and labor to support it. It will help reduce the trade deficit, create American jobs and help make American business more competitive in the China market.

I encourage the Congress to consider what a new market of one billion people could mean to the American economy.

Thank you.



1700 K Street, NW
Washington, DC 20006
(202) 547-1500

William H. III
President

RECEIVED

APR 7 1987

Committee on Small Business

American
Business
Conference

April 1, 1987

The Honorable John J. LaFalce
Chairman
Committee on Small Business
2361 Rayburn House Office Building
U.S. House of Representatives
Washington, D.C. 20515-6315

Dear Mr. Chairman:

The American Business Conference, an organization of the chief executive officers of 100 rapidly growing companies with average revenues of \$397 million, congratulates you on your efforts to craft the Small Business Trade, Competitiveness and Innovation Act, H.R. 1854.

We are pleased that the committee has reported a bill which recognizes the role that small to midsize businesses play in solving our competitiveness dilemma. ABC firms, and other rapidly growing businesses across America, believe that foreign revenues are a fuel for their overall expansion. We applaud the chairman for fashioning a bill to promote international market penetration by the sector of the economy which accounts for 80 percent of the jobs created in the United States each year.

The American Business Conference hopes that the provisions of H.R. 1854 will be incorporated into the omnibus trade bill now being considered by Congress.

Sincerely,

William H. III 5
William H. III

WL/rgj



American Business Conference



NATIONAL INNOVATION NETWORK

(A Small Business High Technology Institute Project)

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Philip Wyatt
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Dear Mr. Chairman:

Please accept our thanks for the courtesy which you and your Committee showed us in your hearings on the Small Business title for the proposed Foreign Trade Act (H.R. 1854).

The legislation you recommended in that bill, when enacted and implemented by the indicated further actions, will be the most important Small Business Foreign Trade legislation we have yet had. That makes its prompt passage a "must" for the early part of this session. We hope also that the 100th Congress can, in its First Session make still another major gain or two on Small Business Foreign Trade. American Business — and Government — are fighting time on the international balance of trade. Our enormous trade deficit there did not happen overnight. We will not overcome it overnight.

We believe, for example, that our technology needs now mandate an immediate one step move to 3% of federal procurement in the SBIR program. At least some of that increase can be targeted, as we suggested, to product and process development which will result in import substitutions or new export advances where we are not yet competitive.

We are, we believe, fully aware of the procedural restraints limiting the Committee's present actions.

You have our assurance that we will give you and your colleagues whatever help and support we can to speed the completion of the Small Business Foreign Trade legislation package which you have begun to fashion.

Respectfully Yours,

Roger Little

Roger Little
Co-Chairman NIN
Spire Corporation
President

Philip Wyatt

Philip Wyatt
Co-Chairman NIN
Wyatt Technologies
President

Gordon Johnson

Gordon Johnson
Board of Directors
SBHTI
Deputy Director
Center for Privatization

Milton D. Stewart

Milton D. Stewart
Chairman Emeritus NIN

4/8/87

April 6, 1987

Representative John J. La Falce, D - New York
Chairman, House Small Business Subcommittee
2419 Rayburn House Building
Washington, D.C. 20515

Dear Representative La Falce:

On behalf of the Secondary Market Advisory Committee, a non-governmental organization of lenders, investors, and broker/dealers with a combined experience of active participation in the SBA 7A Secondary Market exceeding sixty years, I would like to applaud and support your involvement in proposed legislation H.R.1854 entitled "The Small Business Trade Competitiveness and Innovation Act."

We are encouraged that you and other congressional leaders realize the important economic benefits to be derived from a strong SBA, using high quality guaranteed lending programs and effective capital markets tools to accomplish its goals. The farsightedness shown by members of the House and Senate Small Business Subcommittee will surely bring about a self sufficient SBA, and continued economic growth within the small business community.

Sincerely,



C. Mark Atwill, Chairman
Secondary Market Advisory Committee

CMA/mak

cc: To All Committee Members

Current Secondary Market
Advisory Membership

C. Mark Atwill, Chairman
Union Planters National Bank
6077 Primacy Parkway
Memphis, TN 38119

Donna Faulk
U.S. Arbitrage
225 Peachtree St. NE
Suite 2003
Atlanta, GA 30303

Burton Milnor
DLS, Inc.
35 Union Avenue
Suite 300
Memphis, TN 38103

Clarke Ulmer
Colson Services Corp.
67 Broad Street, 14th Floor
New York, NY 10004

Morton Dear
Money Store Investment Corp.
2840 Morris Avenue
Union, NJ 07083

Gordon Lindsay
Bear Stearns & Co., Inc.
55 Water Street
48th Floor
New York, NY 10041

Mike Kane
Westcap Inc.
1301 Fannin Street
23rd Floor
Houston, TX 77002

Gordon Ochenrider
Mountain Bank
Third and Spokane
Whitefish, MT 59937



April 2, 1987

Honorable John J. LaFalce, Chairman
Committee on Small Business
U.S. House of Representatives
2361 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

On behalf of the Small Business Legislative Council (SBLC), I wish to offer our support for H.R. 1854, the "Small Business Trade Competitiveness and Innovation Act" developed by the Committee on Small Business.

The Small Business Legislative Council (SBLC) is a permanent, independent coalition of ninety trade associations representing over four million small businesses. Our sole mission is to represent the interests of small business in national policy matters.

We believe the development of a small business title for the trade bill is, in itself, a historic achievement for small business and the Committee on Small Business. We commend you and the members of the Committee for your efforts.

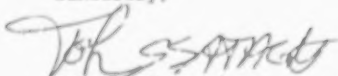
While there are many controversial issues surrounding our Nation's trade policy we are certain that efforts to increase the level of participation by small business in the export market is not one such issue. The small business title developed by the Committee is a positive initiative that benefits everyone and does not harm any sector of our economy.

The bill highlights many of the shortcomings of the current efforts to help small business gain access to world markets. We are continually surprised by the state of the art in export promotion. H.R. 1854, particularly in those sections which increase the role of the Small Business Development Center network, will rapidly enhance our capability to open export markets to small business.

As an organization which appreciates that value of trade associations as facilitators, we are pleased by the recognition to facilitate access to export financing through associations. We also believe the National Conference on Small Business Exports is needed and we will work to make it a success once this legislation is passed.

In summary, Mr. Chairman, we are pleased by the Committee's efforts and we hope Congress moves quickly to enact positive programs to enhance small business participation in the world marketplace.

Sincerely,

A handwritten signature in dark ink, appearing to read "John S. Satagaj". The signature is fluid and cursive, with the first name "John" being the most prominent.

John S. Satagaj
President

JSS/0033
Enclosure



Members of the Small Business Legislative Council

Alliance of Independent Store Owners and Professionals
 American Association of Nurserymen
 American Consulting Engineers Council
 American Council of Independent Laboratories
 American Dental Trade Association
 American Electronics Association
 American Machine Tool Distributors Association
 American Society of Travel Agents, Inc.
 American Sod Producers Association
 American Subcontractors Association
 American Textile Machinery Association
 American Trucking Associations, Inc.
 Architectural Precast Association
 Associated Landscape Contractors of America
 Association of Physical Fitness Centers
 Association of Small Business Development Centers
 Automotive Service Association
 Automotive Warehouse Distributors Association
 Building Service Contractors Association International
 Business Advertising Council
 Chicago Gift Show Inc.
 Christian Booksellers Association
 Dental Dealers of America, Inc.
 Direct Selling Association
 Electronic Representatives Association
 Florists' Transworld Delivery Association
 Helicopter Association International
 Independent Bakers Association
 Independent Bankers Association of America
 Independent Insurance Agents of America, Inc.
 Independent Medical Distributors Association
 Independent Sewing Machine Dealers Association
 Institute of Certified Business Counselors
 International Association of Refrigerated Warehouses
 International Bottled Water Association
 International Communications Industries Association
 International Franchise Association
 International Reciprocal Trade Association

-more-

Jewelers of America
 Latin American Manufacturers Association
 Machinery Dealers National Association
 Manufacturers Agents National Association
 Mechanical Contractors Association of America, Inc.
 Menswear Retailers of America
 National Association for the Self-Employed
 National Association of Aircraft and Communication Suppliers
 National Association of Brick Distributors
 National Association of Catalog Showroom Merchandisers
 National Association of Chemical Distributors
 National Association of Development Companies
 National Association of Home Builders
 National Association of Investment Companies
 National Association of Manufacturing Opticians
 National Association of Minority Contractors
 National Association of Personnel Consultants
 National Association of Plumbing-Heating-Cooling Contractors
 National Association of Realtors
 National Association of Retail Druggists
 National Association of Small Business Investment Companies
 National Association of the Remodeling Industry
 National Association of Truck Stop Operators
 National Association of Women Business Owners
 National Candy Wholesalers Association
 National Chimney Sweep Guild
 National Coffee Service Association
 National Council for Industrial Innovation
 National Electrical Contractors Association
 National Fastener Distributors Association
 National Grocers Association
 National Independent Dairy-Foods Association
 National Moving and Storage Association
 National Office Products Association
 National Parking Association
 National Precast Concrete Association
 National Shoe Retailers Association
 National Society of Public Accountants
 National Tire Dealers & Retreaders Association
 National Tooling and Machining Association
 National Tour Association
 National Venture Capital Association
 Opticians Association of America
 Petroleum Marketers Association
 Printing Industries of America, Inc.
 Retail Floorcovering Institute
 Small Business Council of America, Inc.
 Smaller Manufacturers Council
 Society of American Florists
 Specialty Advertising Association International
 United Bus Owners of America
 Web Sling Association



SMALLER BUSINESS ASSOCIATION OF NEW ENGLAND, INC.

April 2, 1987

The Honorable John J. LaFalce, Chairman
Committee on Small Business
2367 Rayburn House Office Building
Washington, D. C. 20515

Dear Mr. Chairman:

This letter is to strongly support H.R. 1854, to amend the Small Business Act with legislation that will become the "Small Business Trade Competitiveness and Innovation Act". This legislation marks the first time in history that the Congress has developed a bill with the sole purpose of increasing participation of the small business community in the international marketplace.

As you have so accurately stated in the past, all previous legislation has been devoted to assisting large companies at the expense of the enormous potential of the millions of small businesses whose products and services have potential for foreign trade. Some of the many favorable aspects of this legislation is that it draws upon many mechanisms currently in place without creating a new bureaucracy.

Further, by using this approach, the budget outlay is modest and finally, it sets in motion several initiatives and reports that will enable the Congress and the small business community to search and identify current obstacles to trade and hopefully, present recommendations for further initiatives that will allow us a better field of information on which to initiate and support additional programs.

The Small Business Administration is the ideal agency to be given prime responsibility for these international trade programs. The SBA, through its 34 years of existence, is familiar with the unique characteristics of small business and is the ideal marketing vehicle based on its past successes in the financial, management, procurement and minority assistance programs. The agency has the full confidence of the small business community because of its track record of success.

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We also applaud your efforts to involve the Small Business Development Centers, with scores of offices across this country, by utilizing federal/state partnerships, coupled with the university system. They are the perfect vehicle for reaching out to the doorsteps of America's small businesses.

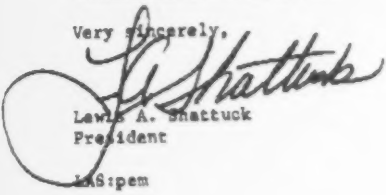
Another attractive feature of H.R. 1854 is the Committee's recommendations in the area of small business financing which has been historically a serious drawback to the export desires of small business. In addressing Globalization of Production in Section 9, the requirement that the SBA Administrator to annually report on the State of Small Business on international trade, will serve to sensitize the agency for more far-reaching recommendations to promote export.

Finally, a national conference on small business exports is long overdue. This conference will serve to eliminate, forever we hope, the shortcomings of the past caused by government policy that has overlooked the vital small business sector.

This Association pledges its resources to support this Conference and insure that the small business executives themselves participate fully with you and your Committee in the formulation of international trade policy.

Mr. Chairman, H.R. 1854 is a historic milestone for small business, and we are confident it will be successful in overcoming many of the long standing obstacles to the small business community's involvement in the international marketplace.

Very sincerely,



Lewis A. Shattuck
President

LAS:pem